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# BUSINESS WEEK

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Soviets

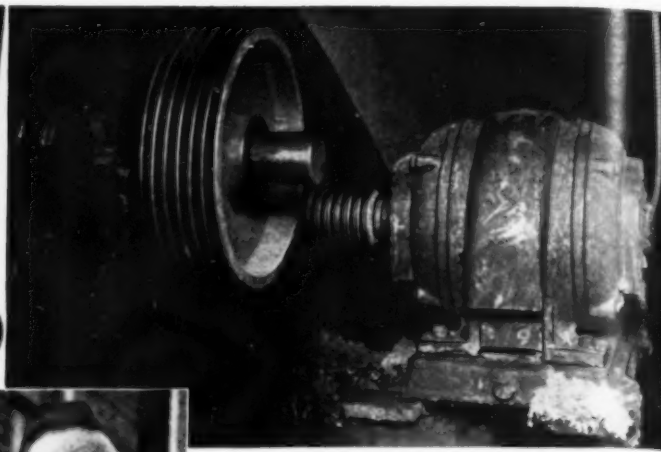
Which way Russia? — the answer is in the hands of Josef Stalin and his new Foreign Commissar, Vyacheslav Molotov.

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# HOW TEXROPE DRIVES PROVED THEY COULD TAKE IT IN A RAINSTORM OF PULP!

*Another true case history  
from the Allis-Chalmers  
files that proves "IT PAYS  
TO BUY THE EQUIPMENT  
THAT PAYS FOR ITSELF!"*



THE TEXROPE DRIVE and Allis-Chalmers Lo-Maintenance Motor soon looked like this under the continuous rain of pulp at the Tennessee Paper Mills, Chattanooga! But they kept on running . . . through the same pulp and vibration difficulties that had stopped other drives!

L. T. Murphy, Plant Superintendent of the paper mills, says—"Texrope Drives are helping to keep our operating costs down."

**Large Paper Company  
Solves Slippage Problems with Allis-Chalmers Texrope Drives... Eliminates Vibration Losses! Get the Story of How You Can Cut Costs in Your Plant with the Equipment that Pays for Itself!**

If you have perplexing power transmission problems . . . if you are the kind of operator who wants outstanding performance from your drives even when the going gets tough . . . then you'll want to find out how Allis-Chalmers Texrope Drives can give you that kind of performance . . . and save you money at the same time!

Here's what happened at the Tennessee Paper Mills, Chattanooga! They had drive problems . . . plenty of them! A continuous rainstorm of pulp fell on the belts . . . made them wet . . . slippery . . . inefficient! Other methods of power transmission were tried . . . and they, too, failed!

## Switches to Texrope!

Then . . . they switched to Texrope Drive! But let L. T. Murphy, superintendent of the plant, tell you what happened—

"We were frankly skeptical that we could find any drive that would operate our four vibrating paper stock screens completely satisfactorily. In February, 1938, we ordered a three hp Allis-Chalmers Motor and Texrope Drive. We were pleased to find that the vibration and rain of pulp made no difference to the new drive's efficiency.

"In June, we ordered two more motors and drives; and in December ordered the one remaining screen to be equipped with an Allis-Chalmers Motor and Texrope Drive. We find they operate perfectly even under these conditions and they are helping to keep our operating costs down."

That's the performance Mr. Murphy is getting! And that's the performance being duplicated in hundreds of other plants where Allis-Chalmers equipment is piling up big savings in reduced operating costs!

Put Allis-Chalmers 90 years of advancing with industry to work for you! Call the production engineer in the nearest district office. Let him give you the first hand story on how you can cut costs in your plant, improve your worker's comfort and safety. . . . with the equipment that pays for itself!

1037-A

## PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



**ALLIS-CHALMER**  
MILWAUKEE • WISCONSIN

## BIG BUSINESS—NO. 16



## High Taxes—High Prices

EVERYBODY knows that sales taxes increase the cost of goods. But various other taxes, paid by corporations or collected through them, such as excise, franchise, capital stock, income and undivided profits taxes, likewise result in higher prices. Such taxes increase the consumer's bill 10 times as much as do direct sales taxes.

Consumers paid almost 6 billions in such "hidden taxes" last year, exclusive of corporate real estate taxes. This was  $3\frac{1}{2}$  times as much as was collected by the Government through personal income taxes.

Taxes are necessary, but they should be levied in such minimum amounts and in such manner as to stimulate instead of retard trade.

It is now a demonstrated fact that the present total tax burden, along with the threat of still higher taxes, is a drag on recovery. Taxes absorbed 22% of the national income in 1938, the highest percentage for any year in history, and nearly double the average of 12% during the 1920's. Federal taxes represent an increasing proportion, having risen from 22% of this total in 1932 to 43% in 1938.

Pleas for tax reduction are met with the question "How?" The problem is difficult. But when Salmon P. Chase, Lincoln's Secretary of the Treasury, was discussing the problem of restoring business confidence, which then involved the resumption of specie payments, he stated that the way to resume is to resume!

*As bankers for industry, and as trustee for the funds of others,  
it is part of our responsibility to contribute something to a  
better understanding of the facts about private business.*

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# WELDING JOBS GO FASTER

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TWINWELD  
WELDING HOSE

Twinweld Welding Hose has proved an almost revolutionary contribution to the welding industry. With the oxygen and acetylene lines molded side by side into a single unit, far easier handling results. There are no more heaps of tangled hose spread around, efficiency is "stepped-up", and valuable time is saved. The development of Twinweld Welding Hose (U. S. PATENT NOS. 2,122,335 and 2,136,230) is a typical example of the effort HEWITT is continually putting forth to make all kinds of hose more useful to Industry. Discuss the hose problem in your plant with a HEWITT distributor. He is listed in the classified telephone directories of industrial centers under "Rubber Goods" or "Belting".

1859 For 80 years, HEWITT Brands have been recognized as outstanding examples of advanced research and exceptional craftsmanship. 1939

# HEWITT

RUBBER CORPORATION, BUFFALO, N. Y.

HOSE • CONVEYOR AND TRANSMISSION BELTS • PACKING

## THIS BUSINESS WEEK



A routine announcement on the Moscow radio one night last week disturbed the European democracies far more than the Rome-Berlin military alliance which was announced at just about the same time. The news—that Vyacheslav M. Molotov, President of the Council of People's Commissars, had been appointed Commissar of Foreign Affairs as well, replacing Maxim Litvinov, who was being relieved of his post "at his own request." Coming right in the midst of a tinder-box European situation, and in the midst of negotiations between Russia and Great Britain, the announcement completely baffled European business. England wondered if this meant a Soviet swing away from Litvinov's collective security policy and toward Hitler. Berlin doubted it (p. 56). Moscow quickly learned the strength of its bargaining power. What European business thinks about it, in *BUSINESS WEEK's* Foreign Editor's cable, p. 15.

### Oregon

"BRING YOUR SWEATSHOPS to Oregon, the Anti-Labor State"—that's the sarcastic slogan Oregon's labor unions are going to use on stickers which they will plaster on all their outgoing mail starting next week, to focus national attention on their efforts to upset the state's anti-picketing law, which went into effect last November. The law began its first court test this month. What it

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twich which is combined the Magazine of Business. Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 99-129 North Broadway, Albany, New York. Editorial and executive offices, 330 W. 42nd St., New York, N.Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. R. Putnam, Treasurer; D. C. McGraw, Secretary; J. E. Blackburn, Circulation Manager. \$5.00 per year in U. S. A., possessions year in all other foreign Entered as second class at the Post Office at Albany, N.Y., under the Ad in U. S. A. Copyright 1939 Publishing Company, Inc.

A McGRAW-HILL



PUBLICATION



is—why it works like a charm on the surface—how it brings labor peace to Oregon—why it means Oregon's unions have to fight for their life—and how it may result in a nation-wide boycott of Oregon goods, p. 32.

### Coal

THE LONG-DRAWN-OUT labor wrangle between the soft-coal operators and the miners was just about to come to a no-decision finish this week when President Roosevelt stepped in as referee and demanded a fight to the finish—and a quick one at that. It takes a good man to be able to tell just exactly what the background of the soft-coal battle is. BUSINESS WEEK's Labor Editor lays out the background 1, 2, 3, on p. 14.

### Fair Trade

IF YOU'RE LOOKING for an argument, just say you think the fair trade laws are a Good Thing. Or say they are a Bad Thing. You get your argument either way. It will be a good argument, too, because you don't have to bother about facts. There just aren't any generally accepted facts about the fair trade acts—none, at any rate, about the effect they have actually had on prices. The various attempts which have been made in the past to evaluate these effects have been automatically suspect because they were backed by known friends or foes. That's why the Federal Trade Commission's decision to start a long-delayed official investigation of fair trade ranks as the biggest news in marketing for a long, long time, p. 17.

### Food and Drug

A CLOSE SECOND in importance is the action Congress has taken, at the urgent behest of manufacturers, to postpone for a year the time when the labeling provisions of the new Food, Drug, and Cosmetics act will go into effect. These regulations, necessitating expensive revision of existing labels, were scheduled to go into effect with the rest of the law on June 25. Now manufacturers won't have to comply with them until Jan. 1, 1940—maybe June 1, 1940, because they can get a six months extension "on request." P. 46.

### Convention Showmanship

THE TYPICAL SALES CONVENTION is a pretty unimaginative affair. It sticks religiously to company matters, hence has not the slightest interest for the public at large. The annual sales convention of International Business Machines Corp. is something entirely different. Shrewd showmanship makes it important news, executive vision broadens the program so that staff members, drawn together from the ends of the earth, return to their posts with a lot of stimulating ideas in addition to a determination to give IBM everything they've got. Story on p. 50.

**"HERE'S THE MOST USEFUL BOOK IN MY OFFICE!"**

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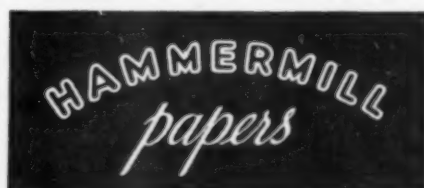
**"MY JOB IS** buying printing. Today it's a new letterhead with envelopes to match. Tomorrow, an eye-catching catalog cover. Later on we'll revise our file cards, bring our office forms up-to-date, install a color signal system. A series of mailings is scheduled... bill enclosures, illustrated letters, a giant broadside.

**"HOW WOULD YOU** choose the right paper for each job? Fumble through piles of samples, swatches, portfolios? That's what I did—once. Now, I just turn to my Hammermill Comprehensive Sample Book. Here, in one handy volume, I can find quickly the right grade, color, weight and finish of paper for nearly every job."

**YOU**—or some one in your office—should have the Hammermill Comprehensive Sample Book. It's a time-saver and money-saver on every job that calls for paper and printing. Get a copy and see that it is turned over to your printing buyer. The Sample Book is FREE. Send for it now.

**IN THIS BOOK** you will find paper samples that will help you solve problems of...

1. How to "choose" paper for letterheads and printed forms that make the right impression.
2. How envelopes can win preferred attention for your messages.
3. How to have legible, long-lasting records at a saving.
4. How to select paper for checks and "money value" forms that must look important.
5. How to get cleaner, more readable copies from every run on your mimeograph machine.
6. How one properly selected paper can give you clear, readable copies from both gelatin and spirit duplicators.
7. How to have file and index cards with the snap and stiffness for easy handling and filing.
8. How to "package" your booklets and catalogs with covers that command attention.
9. How to get better mailing pieces for your money with a new paper that's whiter, brighter, more opaque.
10. How to have brilliant, colorful broadsides that click... how paper helps you print them at a saving.



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Please send the Hammermill Comprehensive Sample Book.

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# KOPPERS

## BUILDS A "STREET-SWEEPER" FOR THE OCEAN LANES



**THE CURRENTS IN THE SHIP CHANNELS** in the New York harbor cause an accumulation of drift in the slips used by liners and freighters. The U. S. Engineer Department has to keep this cleared up.



**IT ALSO HAS TO BREAK UP** old wrecks and piers, place buoys, pull an occasional liner off a bar, supply water to the dredges and do many other duties.



**THE MARYLAND DRYDOCK COMPANY**, a Koppers subsidiary, has just built the "N. Y. 21," a derrick lighter designed especially for this work by the Engineers.

## LET KOPPERS SOLVE *Your* PROBLEMS

You may not need a harbor lighter, but you do undoubtedly use some other products produced by Koppers, which include Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Purification and Recovery Equipment, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, Valves, Pipe and Platemwork, American Hammered Piston Rings, D-H-S Bronze, Fast's Couplings, Materials-handling Systems, Pressure-treated Timber Products, Tarmac Road Tars, Roofing, Waterproofing, Bituminous-base Paints, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

K O P P E R S

## NEW BUSINESS

### Making Money

LAMONT, CORLISS & Co., is named after two people—the chairman of its board, Thomas W. Lamont the banker, and his wife, the former Florence Corliss—and it is engaged in two lines of business: cosmetics, through Pond's Extract Co., and chocolates, through another subsidiary, the Peter Cailler Kohler Swiss Chocolates Co. . . . Now it has bought out Siren Mills Corp., maker of chocolate and cocoa products for the fountain trade . . . Fenner & Beane, brokers, asked 20,000 well-to-do investors whether they would go to the New York World's Fair, and learned that 10% would and 3% might . . . Swift & Co. will build a \$300,000 soybean oil mill at Des Moines . . . And Washburn Crosby Co. plans to enlarge its Buffalo mill by building a \$2,000,000 factory and warehouse.

### What's New?

RUB-WHISK, offered by Joe Weil Associates, is a whiskbroom made of sponge rubber block, ending in fingers; it's washable and is said to absorb lint and dust, instead of scattering it . . . Leibing Automotive Devices, Inc., says the Leibing Degasser almost wholly eliminates both carbon monoxide and carbon dioxide gases in the exhausts of truck and bus motors, and has been installed on some Stromberg and Zenith carburetors . . . Robot Service, Inc., has introduced an automatic machine that dispenses hard-boiled eggs at a nickel apiece.

### Adhibitions

SCHOLL MFG. Co. will promote Dr. Scholl's Foot Comfort Week, June 10-17, to push all its foot-relief products, the latest of which is Super-Soft Zino-pads, described as particularly easy on tender bunions . . . In a contest offer in newspapers, magazines, and radio, Procter & Gamble offer a \$5,000 grand cash prize, 10 \$100 cash prizes, and 20 additional prizes every day for the best ending of the sentence, "I advise brides to use Ivory Flakes because—" . . . S. W. Farber & Co. is beginning its first big advertising campaign for its "Farberware Robots," namely, the broiler, which broils, toasts, boils, or stews meat, fish, game, and eggs; the Coffee Robot, which "turns itself off when the coffee is done . . . then keeps it hot;" and the Tea Robot, which operates similarly.

### Our Times

ARTHUR R. HERSKE, former vice-president and general sales manager of American Radiator Co., and W. Walter Timmis, formerly director of the control, system and air-conditioning division of American Radiator, are president and vice-president of the new firm of Herske

& Timmis, Inc., which will introduce a new line of controls, systems, and equipment for heating and air-conditioning . . . Acme Visible Records, Inc., says it has studied 42,000 types of visible-record forms and reduced them to 101 that can be applied to almost all kinds of business . . . American Airlines, Inc., has started what is described as the first apprentice school established in the U.S. by an airline.

### Sales Strut

GENERAL FOODS CORP. has signed up Walt Disney's "Ferdinand the Bull" characters to join the Mickey Mouse crew as cut-outs on Post Toasties packages . . . Among other radical changes that have recently transformed the interior of Baskin's, men's furnishings shop in Joliet, Ill., is the introduction of a complete shower-room for customers . . . Pearl-Wick Corp. gives its bathroom hampers a supplementary value for women by adding a built-in dispenser of cleansing tissue . . . The new retail store of the Selby Shoe Co. in New York will be departmentalized in a "women's salon" and a men's section, with a separate street door for each.

### Busy Reader

CONTAINER CORP. OF AMERICA is issuing free a 133-page Handbook of the new Food, Drug, and Cosmetic Act . . . And the Association of Consulting Chemists and Chemical Engineers has published the fifth edition of its Directory of Association Members, naming the leading people in each firm and telling what the firm's facilities are and what it does.

### Add What's New?

A DOLLAR SENT to Baer Products Co., 2 W. 20th St., N. Y., will get you Pil-O-Bag, which is an outing and beach bag, made of rubberized, vat-dyed, fast-colored prints, with a partition that divides it into two large waterproof pockets; but with a few puffs you can inflate the partition as you would a balloon, and it becomes an airtight compartment, so that the bag can serve as a comfortable air pillow . . . Hinde & Dauch Paper Co. manufactures the Gilkison play set for Gilkison Mfg. Co., which designed it; the set consists of chairs, knee-hole desk (with a waterproofed top) 18 by 25 by 21 inches, and a screen, 50 by 40 inches, all fabricated of strong, bright red corrugated board . . . Smith Engineering Co. offers its new Seco stop-light flicker unit, which is operated by the speedometer cable and thus is directly responsive to the speed of the car; as the car slows down, drivers of following cars can see the stop light gradually flickering slower.

## WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)

—Left . . . Left . . . The New Deal's in step again. Hopkins, Morgenthau, and other volunteers for business-appeasement duty are jostled back into line as Corcoran and Cohen take over the March to 1940. The fire has long since gone out of the President's plea for national unity, born of the war psychology he employed in his message to Congress last January. No forward impulse remains of his assurance to put recovery ahead of reform. Sec. Hopkins' Des Moines speech, in which business was promised a break, is pigeonholed. The President scrapped the last vestige of appeasement when the U.S. Chamber of Commerce told Congress to wipe its feet on New Deal reforms and look to 1940.

### Split Is Definite

THE BREAK has cleared the air. Both sides are now flying their true colors. There was generous criticism by other business organization representatives in Washington for the Chamber's stubborn attitude but the issue is now clearly defined.

Neither side is willing now to advance one inch toward recovery by means that might reflect credit on the other in next year's political struggle. But further progress to recovery is more essential to New Dealers than it seems to some anti-New Deal businessmen who figure that lack of it will bar the White House to a New Dealer and give the Republicans control of the House.

### Retreat Isn't Possible

ACTUALLY, the Administration won't be so tough in its new swing left, but to turn the other cheek to the hail of blows from the U. S. Chamber would be to retreat—and retreat at the White House would start a rout at the Capitol.

Roosevelt still is strong enough to stave that off till the session's end because he's agreeable to some easing of the application of New Deal laws where it will do the rank-and-file of business men some good.

### The Sheep and the Goats

HOPKINS' quickly-summoned press conference, immediately upon returning to his office Monday after an almost continuous absence of many weeks, was intended only to discredit the Chamber and the big business interests identified with it rather than to attack business at large. His blast was the signal for Gen. Robert E. Wood of Sears, Roebuck

to throw up a nominal job as his business adviser. Assistant Sec. Patterson, who hoped to be the great peace-maker when he came to the Commerce Department a year ago, will follow Wood.

But, as you will hear next week when the President and Hopkins talk to the American Retail Federation, there will be another attempt to separate the sheep from the goats—to stab big business and to convince run-of-the-mine business men who vote in large numbers that the Administration is their friend and benefactor. To prove it, there are some billions of dollars flowing through local

at which all the Administration's efforts have been aimed and have fallen flat.

### Keeping Control of Cash

AS FAR AS government spending is concerned, the New Deal can count on Congress to appropriate liberally but Congress is taking control of where and how the money shall be spent. To spread more money around and meet the slack in industrial spending, various schemes are hatching to put government credit and guarantees—"the kind that won't show up in the public debt"—behind large-scale programs, such as railroad equipment manufacture and the construction of hospitals, public health centers, steam-electric plants, and airports.

### Too Late for Tax Revision

IF CONGRESS does more tax revising than is to his liking, the President probably will get a chance to veto without it endangering revenues. It's too late now to put through a real bill before excise taxes expire July 1. This will necessitate enactment of a continuing resolution prior to that date, leaving Roosevelt to do as he pleases with any revision bill that may follow.

### Even Chances on Wagner Act

CHANCES FOR WAGNER ACT amendments this session are just 50-50. However, conservatives are not too disappointed, for they would rather see the issue go over till next year than accept minor revision which would quiet the uproar and defeat their purpose.

### Reorganization Plan No. 2

CONSOLIDATION of the foreign reporting staff of the Commerce and Agriculture Departments with the State Department's diplomatic corps won't please exporters. While the Hopkins and Wallace departments will maintain some control over personnel abroad, it's feared that their function will gradually be usurped by the cooky-pushers who sniff at doing chores for business men.

Shoved around ever since this Administration came in, the Commerce Department loses several other functions in re-organization plan No. 2.

Abolition of the Coal Commission by transfer of its job to the Interior Department is a slap at John L. Lewis. Cleaning out of a dilatory, mismanaged political beehive is regarded as only a make-shift until the coal price-fixing experiment flops.

### Murphy Is Cautious

NOW ON THE VERGE of bursting into print, Attorney General Murphy's long-

### Over the Fence



International

Secretary of Commerce Harry Hopkins climbs over the fence to get into the paddock with Franklin, Jr. at the Virginia Gold Cup Race at Warrentown, Va. In Washington Secretary Hopkins seems to be climbing back into the paddock with Franklin, Sr.

channels in the deficit-spending campaign on which retailers get first cut.

### Defends Fiscal Policy

THE ONLY PROPOSITION on which Sec. Hopkins went on record this week, in dodging the pointed question whether he still stands on his Des Moines speech, was that during the next 12 months the Administration's fiscal policy should be carried out. He defined this as continued government spending and stimulating the use of private funds, freely admitting that "government spending won't do the whole trick." Quickening the flow of private capital is, of course, the point



## 8-STORY CLEVELAND BUILDING CUTS COST OF HEATING \$2,283

Use Webster One-Pipe Moderator System to Achieve Big Steam Savings in Hickox Building

BETTER HEATING FOR TENANTS

Heating Modernization Increases Desirability of Office Space, Building Owners Report

STEAM BILLS SLASHED 24 P. C.

Cleveland, O.—The cost of heating the 8-story Hickox Building in downtown Cleveland was reduced \$2,283 in less than three heating seasons with a Webster one-pipe Moderator System. There is a total of 8,400 sq. ft. of installed direct radiation.

This substantial cash saving, based on actual meter readings, is the equivalent of a 24.6 per cent reduction in steam consumption.

Before heating modernization, there were frequent complaints of uneven steam distribution. In several office suites, the failure of radiator traps resulted in damage to carpets.

In the fall of 1936, the Webster Moderator Control was applied to the existing one-pipe steam system in the Hickox Building. No extensive piping changes were required but all radiators were orificed and provided with new air valves.

"With the Webster one-pipe Moderator System, heating service in the Hickox Building is noticeably improved," says J. E. Saylor, Building Superintendent. "Today it is a rare occasion when we receive a heating complaint."

E. H. Krueger, President of the Hickox Building Company, the owners, and C. A. Mullenix, the Building Manager, have expressed their satisfaction with the increased desirability of office space resulting from heating modernization. The steam saving represents a welcome additional return on the investment.

Philip Reinhard, of Cleveland, acted as modernization heating contractor.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings and modernization work. Consult your architect, engineer, heating contractor. Or address WARREN WEBSTER & CO., Camden, N. J. Pioneers of Vacuum System of Steam Heating Representatives in 65 principal Cities—Est. 1888

See Webster System Radiation in House No. 18... Town of Tomorrow, New York World's Fair 1939.



Hickox Building  
Cleveland, Ohio

awaited statement on anti-trust policy probably will refer only briefly, if at all, to law enforcement "by cooperation" with industry.

Murphy will not commit himself formally to Arnold's plan (BW—Mar 25 '39, p14) whereby groups charged with violating the anti-trust laws by the Department of Justice would be aided by other government agencies in working out plans of concerted action for the solution of their economic problems. Such methods, if they meet the tests of the anti-trust laws, would then be ratified by consent decrees.

Murphy takes his job very seriously, doesn't propose to climb out on a limb that might be sawed off in back of him.

### But Arnold Goes Ahead

ASSISTANT ATTORNEY GENERAL ARNOLD doesn't have as much freedom of action under his new boss, but experimental application of his plan will be extended. At his suggestion big West Coast oil companies, now facing a grand jury investigation for conspiracy to raise prices in 1936, are powwowing with Willard Thorp and other Commerce Department officials on means for solving the marketing problems of the Pacific Coast.

The outlook isn't too rosy in this instance—the Sherman Law may exact its pound of flesh regardless of economic consequences—but other industries may find a way out of their troubles by this route.

### Stamp Plan on Cotton

DRY GOODS and clothing trades can be confident that the stamp plan for disposing of food surpluses will be extended to cotton, regardless of the fate of the export subsidy and barter schemes. The stamp plan doesn't have as much to commend it in moving cotton as food crops because the processing costs are so much greater and the grower doesn't get nearly as large a proportion of the benefit. However, pressure for adaptation of the plan to cotton is terrific. Relievers would buy stamps which were good for the purchase of clothing made of wool, silk or any other material and they would get free stamps good only in exchange for cotton goods and garments.

### About Those I. C. Loans

ILLINOIS CENTRAL recently asked the Interstate Commerce Commission to approve extension to May 31, 1944, of RFC loans totaling \$35,170,000 coming due this month.

The inside story is that Chicago banks asked Jesse Jones if he would object to their making a 3% loan to the road to pay off the RFC, which collects 4%. As this would mean a big chunk of earning assets for loan-hungry banks and a big slice of interest off the road's bowed shoulders, Banker Jesse was freely criticized for turning thumbs down on the proposition—until Washington learned that the bankers wanted RFC to endorse

### Andrews Staff Split

EMPLOYERS SHOULD KNOW—and be guided accordingly—that the Labor Department's Wage-Hour Division is split by internal dissension. Arthur Fletcher, assistant administrator in charge of compliance and enforcement, former North Carolina labor commissioner with a wide personal knowledge of industry, is having the scope of his operations gently but firmly compressed by New Yorkers who came to town with Andrews.

Head of the anti-Fletcher bloc is Deputy Administrator Paul Sifton, who had the same job with Andrews in the New York Labor Department. Abetting Sifton is Miss Helen Wood, former Connecticut deputy labor commissioner who was moved in as Fletcher's administrative assistant during his illness a few months ago. So far Andrews hasn't taken a hand in the scrap in which "social workers" are gaining the upper hand.

The split has a North-South angle. Andrews must have a Southerner high up on the staff and can't risk the resentment of the South if Fletcher gets too much kicking around.

the notes, although backed by attractive collateral which even today's investment market could absorb at a comfortable margin above its face.

### The French Stock Up

Commandes d'instruction are "educational orders" in French and mean business in any language. The objective of the French mission, here to place some machine tool orders and to study American metallurgy, is similar to that of the War Department in its educational program of critical munitions purchases.

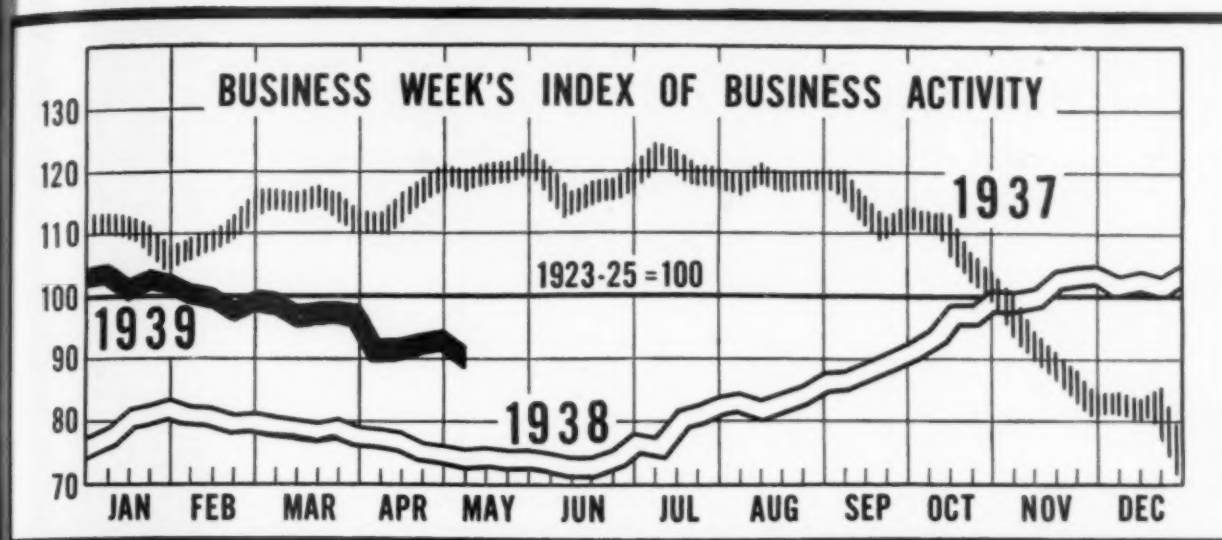
The Frenchmen will visit metal-working plants in New England and in Pittsburgh and Chicago industrial centers.

### Probe Air Travel Sales

ANNOUNCEMENT by the Civil Aeronautics Authority that it will investigate the airlines practice of selling travel tickets in blocks to business firms at reduced rates will bring no protest from the operators. CAA won't talk, but the transport men know that the investigation is a pacifier for the travel agencies, who complain that the airlines sales methods take commissions from hard-working clerks.

In years past the airlines pleaded with the agencies to sell air travel but in vain, because it was a piddling business. The air men invented their own selling schemes. Now that there's jam in the pantry, the agents want to be back in.

## THE FIGURES OF THE WEEK



## THE INDEX

## PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*Steel Ingot Operations (% of capacity).....	47.0	47.8	52.1	61.0	30.4
*Automobile Production .....	71,420	86,640	87,019	80,030	53,385
*Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,403	\$4,775	\$4,514	\$4,675	\$2,843
*Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$0,496	\$10,682	\$10,643	\$9,875	\$7,491
*Electric Power Output (million kilowatt-hours).....	2,164	2,183	2,174	2,207	1,939
Crude Oil (daily average, 1,000 bbls.).....	3,581	3,568	3,444	3,629	3,382
Bituminous Coal (daily average, 1,000 tons).....	605	1,479	1,344	1,432	836

## TRADE

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	68	67	69	74	63
*All Other Carloadings (daily average, 1,000 cars).....	29	26	32	44	28
Check Payments (outside N. Y. City, millions).....	\$4,465	\$3,832	\$4,536	\$4,490	\$4,105
Money in Circulation (Wednesday series, millions).....	\$6,915	\$6,860	\$6,855	\$6,706	\$6,407
Department Store Sales (change from same week of preceding year).....	+6%	None	+7%	-5%	-15%

## PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	142.9	140.7	139.6	144.1	136.6
Iron and Steel Composite (Steel, ton).....	\$36.21	\$36.26	\$36.40	\$36.56	\$38.52
Scrap Steel Composite (Iron Age, ton).....	\$14.25	\$14.25	\$15.08	\$14.50	\$11.75
Copper (electrolytic, Connecticut Valley, lb.).....	10.125¢	10.250¢	10.708¢	11.250¢	10.000¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.75	\$0.71	\$0.69	\$0.64	\$0.81
Sugar (raw, delivered New York, lb.).....	2.93¢	2.92¢	2.90¢	3.05¢	2.76¢
Cotton (middling, New York, lb.).....	9.39¢	9.18¢	8.71¢	8.94¢	8.66¢
Wool Tops (New York, lb.).....	\$0.855	\$0.847	\$0.829	\$0.846	\$0.805
Rubber (ribbed smoked sheets, New York, lb.).....	15.97¢	15.85¢	15.93¢	17.05¢	11.81¢

## FINANCE

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Corporate Bond Yield (Standard Statistics, 45 issues).....	5.72%	5.80%	5.85%	5.66%	6.29%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.24%	2.27%	2.31%	2.48%	2.52%
U. S. Treasury 3-to-5 year Note Yield.....	0.47%	0.48%	0.49%	0.69%	0.82%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	¾-1%	¾-1%
Business Failures (Dun & Bradstreet, number).....	241	273	245	216	242

## BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Demand Deposits Adjusted, reporting member banks.....	16,660	16,742	16,072	15,766	14,450
Total Loans and Investments, reporting member banks.....	21,785	21,775	21,634	21,408	20,842
Commercial and Agricultural Loans, reporting member banks.....	3,841	3,844	3,838	3,886	4,126
Securities Loans, reporting member banks.....	1,167	1,220	1,266	1,299	1,239
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	10,367	10,300	10,180	9,818	9,323
Other Securities Held, reporting member banks.....	3,347	3,375	3,290	3,263	3,002
Excess Reserves, all member banks (Wednesday series).....	4,080	4,120	3,706	3,217	2,442
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,572	2,580	2,584	2,582	2,580

## STOCK MARKET (Average for the week)

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
50 Industrials, Price Index (Standard Statistics).....	109.3	106.8	101.8	131.8	101.6
20 Railroads, Price Index (Standard Statistics).....	26.9	26.0	24.8	32.7	24.2
20 Utilities, Price Index (Standard Statistics).....	65.5	63.7	60.2	68.3	58.1
80 Stocks, Price Index (Standard Statistics).....	89.5	87.4	83.2	106.1	82.5
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	531	529	1,630	1,679	965

\* Factor in Business Week Index. \* Preliminary, week ended May 6. † Revised. ‡ Date for "Latest Week" on each series on request.

# The NEW way of buying insurance

*proves that yesterday's policies may  
not meet today's requirements*

1937



It is said that nothing is constant except change. That's particularly true of your insurance requirements.

Last year you bought a summer place. Your son took up golf. Yesterday you bought a dog. Last week you increased your stock of merchandise. Tomorrow you will buy a new truck. Next week you will sign an important contract.

## *The NEW Way Keeps Pace*

If in the past you have been buying insurance policies on a hit-or-miss basis, you are exposed to serious losses right now. If you have been buying insurance the NEW way, your agent or broker has fitted the policies to your risks. Furthermore, you have received a report that shows all your risks.

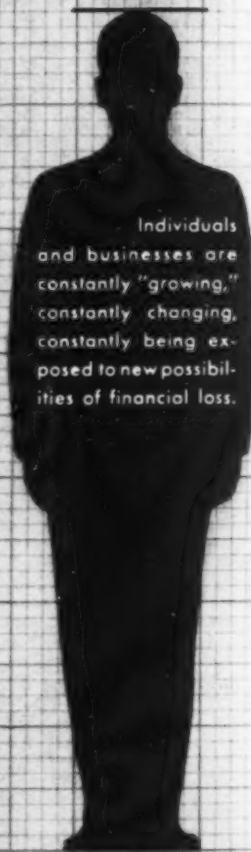
## *Just Call Western Union*

To get details on the NEW way, call Western Union (in Canada, call Canadian National Telegraphs) and ask for the name of the nearest Hartford representative. Or get in touch with your own insurance broker.

\* This is called the NEW way because it is new to most buyers of insurance. But as a method of fitting an insurance program to the buyer's needs, it has long been practised by agents of the Hartford.



1939



Individuals and businesses are constantly "growing," constantly changing, constantly being exposed to new possibilities of financial loss.

# Hartford Fire Insurance Company

# Hartford Accident and Indemnity Company

HARTFORD, CONNECTICUT



# BUSINESS WEEK

May 13, 1939

## THE BUSINESS OUTLOOK

**Sentiment of business community improves, despite drop in production rate. Foreign news begins to lose its irritating power.**

**PWA program is helpful; it will reach peak in summer.**

THE GENERAL STATE of feeling about business seemed to have improved this week. It was admitted that the latest figures showed a sharp decline in the rate of production, and it was feared that current activity would prove to be as low if not lower. But there was less pessimism about the European situation, partly because the tone of Polish Foreign Minister Beck's reply to Germany was approved and partly because every delay in the dreaded overt act which might bring on hostilities was considered to lessen their ultimate likelihood. In other words, a gradual wearing off in the power of the foreign crisis to irritate American business seemed to be getting under way.

### For Domestic Recovery

Some hope, therefore, began to develop that American energies might soon be turned again to working for domestic recovery. In this state of opinion, it was natural that securities and commodities should quietly improve on their gains of the preceding week. Fortunately, the inconvenience and actual losses from the bituminous coal strike to date have been relatively small.

The BUSINESS WEEK index of general activity took last week a sharp  $2\frac{1}{2}$  point drop, which left it well below the previous low figure of the winter and spring recession. At its current level of approximately 92, it has lost over 40% of the gains of last summer and autumn. The week's losses were divided throughout almost the whole index, but were most severe in automobiles.

### Early Optimism on Autos

When the retail sales of new passenger cars for the last 10 days of April became known, it appeared that earlier optimistic estimates had been grossly mistaken, and that the month as a whole had therefore turned out to be a serious disappointment. Field stocks of General Motors cars did decline by a few thousand units during the month, but this was entirely due to the reduction of output. For the first time since this corporation began keeping these records more than 10 years ago, sales to

consumers were actually lower in April than in the preceding month. The same contra-seasonal decline will probably prove to have occurred in the rest of the industry as well when the figures are known. Certainly the industry has shown what it thinks of the current situation by last week's reduction of operating rates, the biggest single cut (except for holiday weeks) since 1937.

### Summer Peak in Building

With automobile curtailment thus effective while awaiting another hoped-for pick-up in retail sales, and with cotton textile mills curtailing (for the astounding reason, it is said, of lack of raw cotton), business needed all the help it could get from a settlement of

the coal strike and from the coming summer peak in building. With the end of the coal strike, there is sure to be a very sharp spurt in carloadings, but it is not likely to have a large effect on other parts of the general index. Its settlement might, however, mark the bottom of the 1939 recession in American business. Whether it does or not should depend in large part on whether building activity can spread its influence throughout industry successfully, and on the absence of further serious shocks in Europe or on a changing state of mind in American business toward European troubles.

The building contract figures for April are on the whole satisfactory, although not brilliant. Residential con-

### In—and Out of the Outlook



Not much impressed with the demand by Labor Dept. Conciliator John R. Steelman (center) that they continue conferring till they reached an agreement, the coal miners, led by John L. Lewis (left) and the op-

erators, headed by Charles O'Neill (right) were ready to break off their talks this week when Pres. Roosevelt called them to the White House, demanded they take their squabble out of the business outlook (p. 14).

tracts awarded in the 37 Eastern states, as compiled by the F. W. Dodge Corp., were fractionally below those awarded in March, but the removal of a single large contract from the March total would overcome the discrepancy. The main point is that residential building is now moving along at the rate of early 1937, when it was just taking hold and before it was cut off by the rising costs of that summer, while the backlog of mortgages approved by the Federal Housing Administration indicates that the present spurt will not be soon cut off.

### PWA Construction Rises

The Public Works program of the federal government is continuing to contribute its share of the rise in construction. During the current months, most of the money for the PWA program is being paid out by the cooperating local bodies rather than the Treasury, which will disburse its share after the projects are finished. It is, therefore, impossible to follow the exact progress of the program through the Treasury's figures. Based on PWA employment, however, it is apparent that there has been a steadily increasing rate of construction since the beginning of the year, and it is now said that the peak will be reached in August and September. At that time, therefore, the maximum effect on general business will be felt, unless it has come a month earlier through the manufacture and shipment of building materials.

If, therefore, political shocks are not too great, and the present decline is halted through peace in the coal fields and inventory replenishment by industry, gains in business activity may be expected in the summer months.

## Behind the Coal Strike

**Squeeze by A.F.L. prompted Lewis to seek stronger contract against opposition of operators. White House stepped in as real shortage loomed.**

THAT TIMES aren't what they used to be in the labor wrangling business was made clear this week to soft-coal operators and miners. Government intervention quickly followed as predicted (*BW—Apr 29 '39, p14*) the decision of the conferees to announce "no agreement."

In contrast with the half-year coal famines which it endured in 1922 and 1927, the public this time had been frightened for a little over a month before the federal government stepped in. That a critical time was approaching (although still three weeks ahead) was evident in the reports of available supplies of bituminous fuel. Somewhere between 20 and 25 days' backlog, at consumption rates of a million tons a day, were on hand when President Roosevelt called the bituminous operators and the United Mine Workers to Washington.

### Assertions and Facts

Background of the tie-up has been difficult for the average consumer to figure out, and self-appointed defenders of the mine operators have not helped with assertions that "John L. Lewis' demand for a closed shop is the sole point at issue." Neither did Lewis, in his open letter to John R. Steelman, Labor Department conciliator, tell the whole story in his charge that the silence of the government during early negotiations

"caused many operators to believe they had *carte blanche* to disembowel the United Mine Workers." The facts were:

1. Lewis and the U.M.W. committee have insisted all along that the old contracts must either drop their penalty clauses, under which miners could be fined for striking under certain conditions, or must add "union shop" clauses by which workers would be required to join the union within a stated time after being hired. This is not the closed shop, which forbids the hiring of non-union men.

2. Some—though not all—of the operators believed that "Lewis and the C.I.O. were on the run" and probably still believe so. They felt that this was no time to grant concessions to the union. And although a majority seemed willing to agree to the U.M.W. terms some weeks ago, the operators handle their wage conferences under a unit rule and seek unanimity in action. Lewis might have smashed this unity by making individual deals in Middle-Western districts, but declined to do so until this week.

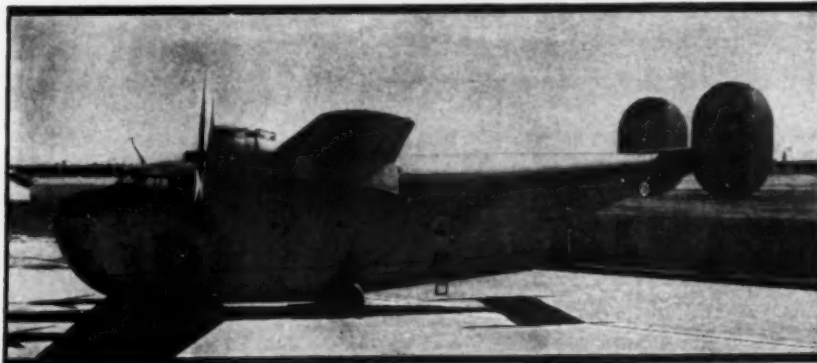
3. The miners offered to continue operations under the old contract, while negotiations went on. This offer, made several times prior to the April 1 shut-down in the Appalachian field, was declined by the operators. Lots of coal was above ground at that time, and it was easy to sell, with industrial users, railroads, utilities, and cities in need.

### Decided U.M.W. Had to Fight

4. Lewis and U.M.W. are in the path of the "conservative swing" of the public-mind pendulum, and want protection against a rival union, the Progressive Miners (American Federation of Labor). The U.M.W. is strong—Lewis proved that by calling out the miners and shutting down the industry—but it has been strong before and yet declined through adversity. This time Lewis decided that he had to stand and fight for a better toe-hold, if he wanted to slow up or reverse the anti-Wagner act, anti-C.I.O., anti-Lewis trend.

5. Even though the White House command finally came through, many an observer thought that Mr. Roosevelt took a long chance. As a practical politician, he tried to stay out of the row; by helping Lewis make the deal he would offer an affront to the A.F.L. executives, and if he refused to step in he faced the bitter reproaches of C.I.O. But collective bargaining had to be pushed out of the mud.

### Consolidated Aircraft's 25-Ton Flying Boat



In San Diego last week Consolidated Aircraft Corp.'s powerful new flying boat, Model 31, made its first test flight. Weighing 25 tons, Model 31 has a wing-span of 110 feet, is 73 feet long, 22 feet high. It has two—instead of the usual four—engines, 2,000-horsepower each, is capable of

a speed exceeding 250 miles an hour. As a commercial air liner it can carry 52 passengers by day, 28 in berths at night. Consolidated's own private venture, Model 31 is nevertheless well adapted for use by the U.S. Navy, or for commercial transatlantic service.

## The Gentlemen of the Press Gang Up.



Michigan's Senator Vandenberg and Maine's Senator White, overshadowed by a covey of press photographers as the Senate Foreign Relations Committee concluded public hearings on the Neutrality Act this week.

## War Orders Up as Europe Waits

**Business Week's Foreign Editor finds industry developing immunity to crises but puzzled by Soviet policy, ready for swift move by Hitler.**

LONDON (Cable)—European business is more puzzled this week as to what is ahead diplomatically than at any time in the past two years. Under the increasing momentum of war orders, many lines—the luxury trades excepted—are expanding steadily and in some cases spectacularly. But the stock market, sensing the sure of the boom and its implications, fails to reflect the volume of activity in a security sales. Moreover, the public morale is definitely bad.

### Will Coup Meet Resistance?

There is an almost universal conviction here that the Axis states are preparing for another dramatic blow before the end of the month. The principal danger lies in the fact that Britain and France are grimly determined not to follow another Munich this year. Hitler is determined to risk some dangerous step in Danzig or along the Mediterranean, despite the fact that, for the first time in his skyrocket career, he is confronted with a serious threat of united resistance by the "great democracies."

Dazzling spring weather isn't dissipating the thick political fog that hangs

### Fog Over Europe

RUSSIA has the democracies on the anxious seat. Hitler nails them there with the threat of another swift move. (They suspect one that will deeply involve reluctant Italy.) But, as the fog thickens over Europe, business expands under the influx of war orders. BUSINESS WEEK's Foreign Editor cables from London a last-minute report for American business executives before sailing home after three months of interviewing his foreign contacts throughout the length and breadth of Europe.

over Europe. Far more disturbing than the Rome-Berlin military tie (which merely formalized an existing fact), or the results of Col. Beck's tactfully firm statement of Poland's position, is the mystery surrounding the dismissal of Russia's foreign commissar, Litvinov. The Soviet Union determines the balance of power in Europe today. During the year's succession of crises, England

has undergone a real change in heart toward Russia. Even British Communists now say that the Chamberlain government is eager for a pact with the Soviets as virtually the sole means of implementing England's far-reaching commitments to Poland and Rumania.

Of the utmost significance was the failure of Hitler in his Reichstag speech to unleash his customary blasts at the Soviets. This followed the pointed abstinence of Stalin from blasting Germany in his recent speech which had plenty to say about the attempts of the western "democracies" to cause trouble between the two.

### Explaining Russian Moves

The Litvinov removal burst like a grenade in the tense political theater. Business men are as deeply in the dark as are government officials concerning the real meaning of the move. The general conclusion is: the Kremlin decided that the foreign negotiations had become so important that they should be handled directly through the Politburo, since this would give Stalin the most flexible control. Thus Russia's leader hopes to capitalize on his tremendous opportunity for profitable bargaining, both in Europe and the Far East.

As a result of personal observations by BUSINESS WEEK's Foreign Editor in Russia last month, it seems probable that Moscow will hold aloof from any pacts except those which she has an important share in drafting. The Berlin-Moscow rapprochement seems illogical, though it would create an unbeatable combination. Nazis and Communists deeply distrust each other. However, the Kremlin is not overly eager to fight England's battles if it means the movement of large numbers of Soviet troops outside Russian territory.

Hitler's hope is to complete a swift move before Russia and the "democracies" come to definite pledges. London's strategy is to draw Russia into her bloc, and then, backed by a force sufficiently awesome to hold Axis demands within reason, to offer to bargain with Germany. London's present fear is that the Soviets have decided on a policy of isolation.

### Nazi Strategy, Applied to Ally

The official Rome-Berlin military pact is another outcrop of Hitler's distrust of Mussolini. It spikes reported progress toward settling the Rome-Paris dispute over Djibouti and the Suez Canal. The Nazis also wanted to nail down the Italians so that they would stay put in case of trouble with Poland. Some observers declare that Nazi strategy will involve Italy in a Mediterranean quarrel, giving Germany the chance to "come to Il Duce's rescue" rather than counting too heavily on the Italians aiding Hitler in an attack, say, on their friends, the Poles. Mussolini is des-



### Age 8, Size What?



THE THREE GIRLS above are all eight years old—and in their ill-matched silhouettes you have the reason why consumers and retailers declare that children's clothes should not be sold by age-size.

Both pairs of coveralls modeled by the little boy in the picture below were labeled size 6—and there you have the reason why mothers are asking manufacturers to standardize.

The pictures were made by the Bureau of Home Economics when taking the measure of 140,000 children. American Standards Association is helping manufacturer, retailer, and consumer representatives to formulate new size standards based on the study (*BW—Apr 22 '39, p. 53*). A size index based on height and girth of hips would cut down wrong sizing by 50 to 70%. Retailers estimate that returns of ill-fitted children's clothes run to \$10,000,000 a year.



perately trying to moderate demands on Poland because of massing French and British strength in the Mediterranean.

The entire situation is such that many countries are coming to a let's-do-something-and-get-it-over-with feeling, despite the antipathy for war among the peoples of all nations. This adds to the danger. It pushes normal business further into the background—but it is gradually building up a kind of immunity to crises in business circles. Another reason for the amazing lack of panic thinking is the huge backlog of government war orders. Britain's new display of courage is a further steadying factor. Fears of Russian isolation are counterbalanced by America's encouragement of European "democracies."

### Scribner's Paradox

**Magazine suspends although advertising revenue gains. May resume publication.**

WHEN A RESPECTED MEMBER of the magazine fraternity folds, it is usually because of failing advertising revenue. So it seems strange when *Scribner's* went into a state of suspended animation last week, since income from advertising for the five-month period ending with March had reached a 25-year peak. April circulation soared above 100,000. Then just when profits were in sight, working capital gave out and printing stopped.

Once before, in 1936, *Scribner's* had appeared headed for the rocks. Coasting on its early reputation, it published only quality literary writing. Debts piled up and circulation went down. Finally, Harlan Logan was hired to overhaul the magazine.

#### "Selective Distribution" Tried

Mindful of the fact that objections to "controlled circulation" by advertisers had disappeared to some extent, Logan changed circulation policy and went after "quality" readers (*BW—Apr 10 '37, p. 24*) by distributing 50,000 free copies to top income families every three months. But the idea of "selective distribution" still encountered too much old-line thinking to succeed, and it sold no additional advertising space.

Logan had learned one main fact from his efforts—that wealthy business and professional men did not read literary fiction and essays. Accordingly, *Scribner's* changed format and devoted itself chiefly to articles on topics of current political and human interest. Under Logan's management, first as editor, then both as editor and as publisher after he bought the magazine from Charles Scribner and Sons in 1938, the refurbished *Scribner's* reversed the trend of a decade. Deficits decreased until net loss in March was only \$700.

Reason given for suspension is that the annual summer slump in advertising revenues would have increased deficits even more. If enough money can be found for sound operation over a long time period—and Logan is shopping around for capital—printing will be resumed in the fall.

### N.A.M. Coast Meeting

**Association holds conference in Los Angeles to discuss regional problems.**

CONTINUING EFFORTS to build regional strength outside manufacturing centers of the Eastern Seaboard, the National Association of Manufacturers held its second annual Pacific Coast conference in Los Angeles this week, prior to a series of local meetings for business executives in San Francisco, Portland, Seattle, Tacoma, Spokane, and Butte.

The objective is to furnish a sounding board for Coast reactions to the N.A.M. national program and to overcome the charge that the organization "represents big eastern manufacturers only."

The association definitely has been wooing the Pacific Coast lately. The three Coast states now have six members of the directorate, one each for Oregon and Washington, and four for California based proportionately on the U. S. Census of Manufacturers. At least one Coast representative attends the directorate meeting in New York each month, and N.A.M. national officers increasingly are mindful of Coast reactions.

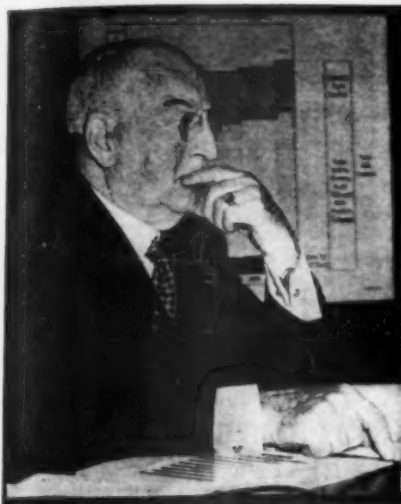
Spokesmen emphasizing Coast support of the association's national program were: for Washington, E. I. Garret, president of the Wire Rope Manufacturing and Equipment Co.; for Oregon, R. B. Ambrose, president of the Portland Woolen Mills; for northern California, F. J. Koster, president of the California Barrel Co., and for southern California, C. B. Tibbetts, president of the Los Angeles Steel Casting Co.

#### Farming, Labor Discussed

Relationships of agriculture to industry, always important on the Pacific Coast, were explained by Albert M. Paul, president of the California Food Products Co., and Paul Armstrong, general manager of the California Fruit Growers Association.

The 1,000 delegates listened to explications of two labor relations philosophies now practiced on the Pacific Coast. Almon E. Roth, president of the San Francisco Employers Council, outlined the objectives, methods, and results of the employers' union idea, and E. H. Howell, president of the venerable Merchants and Manufacturers Association of Los Angeles, told how his city has been able so far to retain its reputation as "the stronghold of the open shop."

## Mr. McInnerney Solves a Milk Problem



*International*  
Thomas J. McInnerney, president of National Dairy Products, Inc. has a poser put to him as he testifies be-



*Harris & Ewing*  
fore the Temporary National Economic Committee, in its investigation of the milk industry. He checks



*Wide World*  
—and comes up smiling with the answer. He blamed high milk prices on farmers, co-ops, the government.

## FTC Will Probe "Fair Trade"

**Commission will finally begin its investigation of resale-price maintenance and will report on whether it has tended to raise prices.**

LAST WEEK the Federal Trade Commission announced that it was finally beginning its long-heralded investigation of fair trade, an inquiry that will pour oil or water (depending on findings) on the fires that burn against resale-price maintenance contracts. Specifically, the investigation will embrace (1) a study of prices and quality of goods under price maintenance contracts as compared with competing goods not under price contract, and (2) a study of methods employed in obtaining the support of industry and the retail and wholesale trades for such contracts.

It was in the dog days of August, 1937, that the President signed a District of Columbia appropriations bill that carried a rider which was to alter the whole theory of American marketing. The rider was the Miller-Tydings Act, which set aside the anti-trust laws in so far as it legalized price maintenance contracts between a manufacturer and his distributors on an interstate basis, when working through the machinery of the various state fair trade laws.

In simplest terms, the burning question about fair trade is this: has it raised prices? And in simplest truth—though there is no statistical evidence—everybody has a pretty clear idea of the trend. Certainly it seems probable that prices have gone up in metropolitan areas, where heavy competition forced prices

to cut-rate levels before the advent of fair trade. And it seems equally likely that the tendency to make the fair trade minimum the *one* price has prevented any increase, or even accounted for a decrease, in the country and small towns.

On a countrywide total volume basis, anti's say that the effect of fair trade must be to raise the price level. Else why do fair traders find the laws worth fighting for?

## FTC's Approach to Question

But clear as the pattern may seem, FTC officials are the first to maintain the difficulty of proving that fair trade has raised prices. There are many factors that could have changed the general price level other than the fair trade laws. And data collected now on retail sales as of several years ago are of doubtful accuracy. Ask your corner druggist; he won't know to the penny what he was charging for this and that before fair trade. Hence, FTC won't try to compare prices as of today with those of 1937 and earlier. Instead, the commission will only draw its conclusions as to the effect of fair trade on the consumer's pocket-book from comparisons of goods now being sold under fair trade contracts and goods not under contracts.

It's going to be interesting to compare the findings of the commission with those of the Druggists' Research Bureau,

which has sent out questionnaires to all of the nation's druggists, inquiring into prices of 60 drug items as they were before and after passage of state fair trade laws (BW—April '39, p.36). Such sponsors as the National Association of Retail Druggists—mainspring of the fair trade movement—are counting on the bureau's survey to demonstrate that resale-price maintenance contracts have not boosted the price level.

Congress is now considering a fair trade law for the District of Columbia, and last week a House committee decided to ask the FTC for its views on the bill. Washington rumor has it that FTC saw the question coming, and is now in a position to duck by saying that it prefers not to express its views while its investigation is pending. Washington gossip also has it that the National Association of Retail Druggists isn't particularly keen for the District bill, figuring it will bring fair trade home to Congressmen on their own doorstep, and might lead to repeal of the Miller-Tydings Act.

Chances are that the commission won't have anything to announce for a year or more. The inquiry is being conducted by FTC's regular economic staff; how much it will cost nobody knows.

Toughest work for the investigators will be in determining whether the legalized system of vertical price maintenance (between manufacturers and distributors) has turned into a system of illegal horizontal price-fixing. When distributors exercise a uniform pressure on all manufacturers to secure uniform margins and discounts, the ultimate resale prices on competitive goods are likely to end up looking as uniform as if the manufacturers had conspired in their pricing. It'll be tough to determine collusion.

## Fight Big Road Taxes

**Illinois truckmen alarmed by state report doubling usual highway cost estimates.**

COST ACCOUNTING reports are usually received by the general public with an absolute apathy, but one such study—a document known as the Glover Report—is now the center of agitated discussion among taxpaying motorists in Illinois. From the owner of one small car to the manager of the largest fleet of tractor trailers, they have read with alarm the estimates of highway costs submitted by V. L. Glover, an engineer in the state highway department. If his conclusions are accepted by the state legislature an enormous increase in motor vehicle taxes is inevitable in Illinois—not unlikely in other states, impressed by the Illinois precedent.

Mr. Glover estimates that the total cost chargeable to Illinois highway users amounts to about \$116,000,000; roughly double the accepted figure. In addition to the conventional charges for maintenance, policing, and administration, he included figures for taxes on the un-amortized cost of the highways, and annual depreciation charge and annual interest on the value of the right of way. Instead of using the interest on outstanding highway bonds, he substituted interest on investment in the highways.

Attention was especially focused on the report when the U. S. District Court based its recent decision in the Brashear Freight Lines case on Glover's findings. Illinois truckers are completely dazed because the acceptance of this new theory of highway costs will mean a staggering increase in their expenses. The truckers assert that the fine hand of the railroad interests is to be seen in the background.

### Glover Items Criticized

But the Illinois Highway Users Conference went into action. They retained a committee of two engineers and two economists to determine proper methods of ascertaining and allocating annual highway costs for taxation purposes.

Last week the committee's unanimous report was placed in the hands of legislators. It finds that the following Glover items are not proper ingredients of annual highway cost: interest charges other than on actual highway indebtedness, because this would make the beneficiaries of highways pay interest on the capital they have furnished; assumed taxes on right of way and on highways as property, because the highway system increases taxable wealth; depreciation and obsolescence, because charging for these in addition to maintenance would make present users pay doubly—for today's highways and also for the future roads to be built as replacements. And

the committee asserts that present Illinois and federal motor vehicle taxes are fair and that bus and truck taxes actually yield the state an annual net profit of \$3,000,000.

The accumulated attacks on Glover's deductions will probably keep the legislature from taking any action on the new motor vehicle taxes this session. Opponents, however, are watching carefully.

### Harassed on Other Fronts

Meanwhile, they can pass their time profitably by fighting the Senate bill which would bar large trucks from the highways between Saturday noon and 6 a.m. Monday. A Senate committee, after a very quietly called meeting, has recommended the bill for passage. About the latter bill the truckers do not have to content themselves with dark hints of railroad influence. It has been introduced at the open behest of the Brotherhood of Railway Trainmen, who profess humanitarian concern over the extent to which highway trucks endanger the lives and limbs of the brethren on their week-end duties aboard trains and on their week-end jaunts.

To add to the truckmen's woes they also have to do battle on still another front. The legislature is considering an entirely new set of rules to cover trucking of all sorts and to transfer all trucking matters from the hands of the Commerce Commission to the Department of Public Works and Buildings. The bill, still in committee, has been amended and re-amended until no one knows just what it does contain.

## Fair Shakeup

**Golden Gate Exposition switches control from showmen to financial men in Gayway row.**

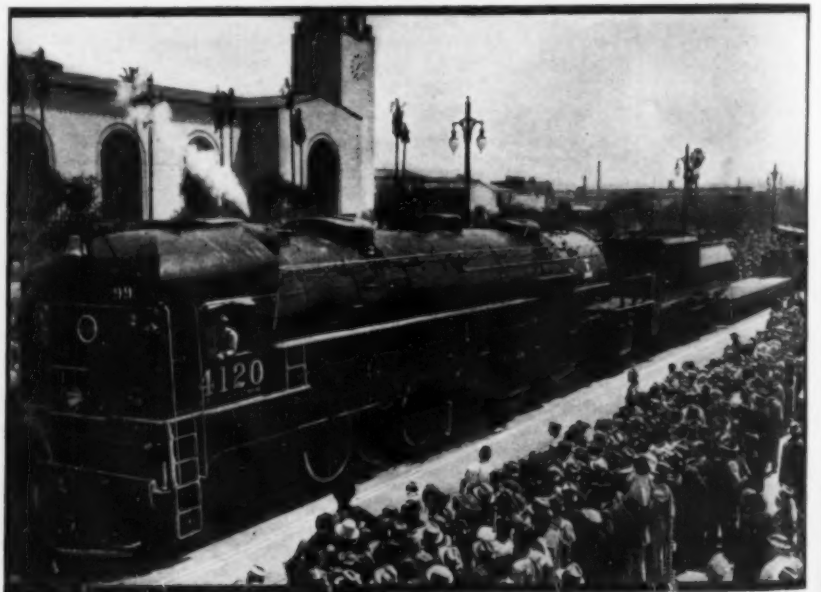
SHAKEUPS WITH A FREQUENCY that would wreck any ordinary business are traditional in the world's fair business, so the major administrative upheaval that took place on Treasure Island last weekend just shows the Golden Gate International Exposition is running true to form.

When the rumblings died away on Monday, it appeared that the actual control of the \$50,000,000 enterprise was back in the hands of the financial interests that made it possible. The showmen, headed by Chief Director Harris De Haven Connick, who have been running the fair since it opened Feb. 18, were out of the saddle.

The blow-off is the result of accumulating dissatisfaction among Gayway operators who charged that Connick ruled them with an iron hand and failed to install certain improvements in lighting and paving. While business exhibitors haven't had to make a single squawk to the management and apparently have continued to regard their participation as decidedly satisfactory (*BW*—Apr 15 '39, p38), the Gayway has been a headache from the start. George Whitney, highly successful operator of San Francisco's Playland-at-the-Beach, who took over its management last week, is the fourth man on the job.

As a result of the shakeup, depart-

## Los Angeles Gets a New Station



Opening of Los Angeles' new \$11,000,000 Union Station last week was the occasion for a three-day celebra-

tion, the main feature of which was a parade depicting the development of the transportation industry.



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# CLEVELAND POLICE ★ ★

## MOTORIZED

### MOBILE PATROL OF INTERNATIONALS COVERS CITY DAY AND NIGHT

**City Divided Into Twelve Zones**

Each International Truck in Cleveland's Emergency Mobile Patrol is assigned to cover one zone, ten to twelve hours a day. No matter in what part of a zone a Patrol might find

**Crime Records Lowest In 10 Years. Traffic Fatalities Down 47%**

Through the motorization and reorganization of the Cleveland Police Force by the Director of Public Safety, in the past six months, a great improvement in accomplished movement is accomplished. The unit, combining equipped to ambulance accident scene and by the effort and in great extent toward the reduction of crime and traffic fatalities.

ABOVE: One of Cleveland's twelve famous Emergency Mobile Patrols...e speedy International Model D-2 panel body truck, designed for both ambulance and patrol service.

The Cleveland Police Force is now entirely motorized with the exception of the traffic detail. The city's Emergency Mobile Patrol is helping daily in the reduction of crime and traffic fatalities.

Twelve motor units, fully equipped for double-duty service as ambulances and patrols, are manned by officers all of whom have hospital and first-aid-training. The proved results in greater safety and service are spectacular.

All twelve of these new Cleveland Police Patrols are International Model D-2 panel body trucks. And the performance of these Internationals is thoroughly in keeping

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LEFT: Interior of specially built, Emergency Mobile Patrol Truck showing steel floor, rear step, barred rear doors, screen partition behind driver.

ABOVE: Each unit is a complete ambulance with finest riding comfort. Equipment includes first-aid kit, inhalator, stretcher, and other accessories required for emergency work.

# INTERNATIONAL TRUCKS

## Mr. WINSLOW Has His Say!

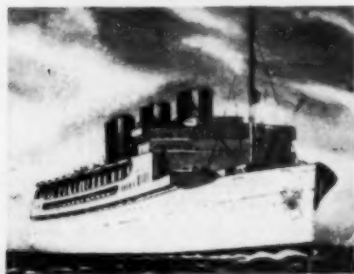


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ment heads were early this week working directly under the board of management. This consists of P. H. Patchin of the Standard Oil of California, James B. Black of the Pacific Gas & Electric Co., J. W. Mailliard, San Francisco importer and police commissioner, and Colbert Coldwell, San Francisco realtor. As Coldwell is now in the Antipodes, actual authority rests in the quickly-shifting majority of two.

At the same time, the board of management directors appears to have gained power in the shakeup. Atholl McBean, San Francisco terra cotta manufacturer and chairman of the directors' executive committee, has suddenly moved in as an active factor in administrative affairs. McBean represents much of the borrowed money tied up in the fair. Incidentally, there's a rumor that the enterprise will refinance soon to clear up all small outstanding debts before the peak operating period begins late this month. The exposition is now breaking even on operating costs but has not repaid its bank loans and the new management apparently intends to keep a tight rein on finances, at least until the tourist influx gets under way.

## Co-ops' Power Plant

**U. S. will finance generating station to serve farmers, costing \$1,500,000.**

WASHINGTON (*Business Week Bureau*)—By its decision to finance a \$1,500,000 steam generating station to serve 11 large cooperatives in Wisconsin, Minnesota, and Iowa, the Rural Electrification Administration exerts federal pressure against one more factor in the cost of farm electric service. The move is a logical companion to REA's current drives to reduce prices on purchases by its cooperatives and their members, as exemplified by the recent pooling of meter purchases (*BW*—Apr 8 '39, p. 8) and the big appliance campaign now being pushed in Iowa (*BW*—Mar 11 '39, p. 3). Now it is wholesale power costs that are under fire.

While REA has long had authority to finance generating plants as well as distribution lines, only 24 such loans have actually been made and these, on the whole, more often because of geographical isolation than price factors. Such is not the case in the present instance, for the 11 co-ops are so located as to be easily accessible to several private and municipal utility systems, and the decision to build a new generating station is based purely upon economics.

### How Much per Power?

Just what a rural electrification project should pay for power to be distributed over its lines is a highly controversial question that must be settled anew

as each contract is negotiated. Normally the potential supplier is a privately owned utility with an eye to profits and dividends. It is Washington's attitude that the new load offered to the utilities is largely velvet, to be gained without expensive sales promotion and with, as a rule, comparatively minor expenditures for construction, equipment, and maintenance. Therefore, REA contends, the rate should include only a slight mark-up over the actual cost of power generation. Between the two positions lies ample ground for argument.

For the country as a whole, the average of actual wholesale power payments by REA projects is a shade under 1.2¢ per kw. hr. The range is from lows of 0.4¢ to TVA, 0.8¢ to several lumbering, ice-making, and other industrial concerns with surplus power to spare, and 0.9¢ to a privately owned utility, to a high of 2¢ which REA blushingly admits as a disgraceful reminder of early artlessness. The majority of the contracts result in net rates very close to 1¢, and REA considers reasonable any quotation between 1¢ and 1.2¢. Higher rates cause it to sharpen its pencils and start figuring.

#### The Mills Mount Up

In the present instance, when the 11 co-ops started shopping around, quotations clustered around 1.5¢, with one low bid of 1.3¢ for a small and insufficient block of power. A difference of a few mills may seem insignificant, but when applied to the power consumption of 10,000 farmers and a number of fair-sized creameries and canneries it amounts to a respectable sum each year. So the co-ops got together and figured that by building one modern, up-to-the-minute steam generating plant they could fulfill their requirements at a cost of between 1¢ and 1.1¢, saving enough to pay for the plant in about 10 years.

This is the proposition that they brought to Washington and which REA has accepted. Whether it is an exceptional case or the start of a new trend depends upon the results of future dickers in other parts of the country, but this much can be said with certainty: that from a purely practical standpoint REA headquarters in Washington would far rather approve an acceptable purchase contract than dip into its funds to build additional generating plants, the operation of which will add to the headaches of management.

#### State Tobacco Revenue Up

STATE TOBACCO TAX REVENUES increased last year in 20 of the 21 states levying this tax, the Federation of Tax Administrators announced this week. Bills levying cigarette or general tobacco taxes are pending before the legislatures of six states, none of which has such taxes at present, and two others have already enacted new levies this year.



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## U. S. Barter Deal Hits Obstacles

**Plan to swap wheat and cotton for European-controlled tin and rubber is objected to by Canada. And in any case it can't raise prices much.**

WHEN A MONTH AGO Sen. Byrnes proposed that the United States swap surplus cotton and wheat for European-controlled surplus rubber and tin, the "barter deal of the century" seemed easy. England, Holland, and Belgium seemed natural parties of the second part. But this week, when State Department representatives started negotiations in London with the British, the deal seemed anything but simple.

In fact, the hush-hush of the last few weeks about the proposal might seem to suggest that difficulties were bobbing up, and that last month's headlines might become next month's obituary notices. Canada has already protested any Anglo-American wheat deal; and Australia might come along with a similar howl. As for cotton, England must consider other parts of its empire—Egypt and India. Further, neither Holland nor Belgium has responded to the State Department's feelers.

The United States is in a position to barter because this country already owns or controls substantial supplies of cotton and wheat. But foreign governments have not stocked up on rubber and tin, would have to go into the open market or deal with the tin cartel or rubber syndicates to get supplies for a swap. That would take cash.

### From Warehouse to Warehouse

Economically, a deal is not likely to have an important price-lifting effect, nor is it probable that it will solve the American farmer's surplus problem. The most optimistic figures call for 2,000,000 bales of cotton and 100,000,000 bu. of wheat as the American contribution to barter; but realists cut the cotton in half and the wheat to one-third. Even were the government to dislodge the optimistic amounts from these shores, the bite into an 11,000,000-bale cotton carryover and a 275,000,000-bu. wheat carryover would not be any hard cash in the farmer's pocket. The cotton and the wheat will not move into consumption channels; instead, they will merely be shifted from American warehouses to foreign warehouses to be used in a war emergency. The world carryover would not be reduced by a bale of cotton or a bushel of wheat. All that would have happened is that the commodities would have been given a new "place utility," just in case of war.

Intimations from the State Department are that Great Britain "sees some-

thing" in a deal; but whether the British can overcome empire opposition (why take American wheat and cotton for war stores when the colonies are competitive producers?) and whether satisfactory price ratios can be worked out are big problems.

For the United States, the immediate advantages of a deal are obvious. First, the government moves cotton and wheat already in storage out of storage, and the burden of paying the cost of insurance and warehousing falls to the lot of the foreign partners in barter. Second, in exchange, this government obtains two essential war stock materials. Chief advantage to Britain would be to forestall the need for battleship convoys on cotton and wheat cargoes in the event of war.

### "For Emergency Use"

The barter plan goes back to the many proposals which have been made in Congress from time to time to build up stock pile reserves of basic war materials (*BW—Mar 4 '39, p. 16*). But before the barter deal can become an actuality, legislation by Congress will be necessary; and if a treaty is made with a foreign country, Senate ratification becomes necessary. Hence, the State Department would like to complete negotiations before Congress adjourns.

The Department, incidentally, insists that the proposal is not out of line with Sec. Hull's reciprocal trade program. It is not a plan for permanent barter, but rather an arrangement whereby governments can exchange surpluses for "emergency use only." Army and navy advocates of stock pile reserves look with favor on the plan to acquire rubber and tin, which are considered "strategic war materials," along with manganese, tungsten, and numerous other commodities, as contrasted with the so-called critical materials, such as asbestos, coffee, and opium.

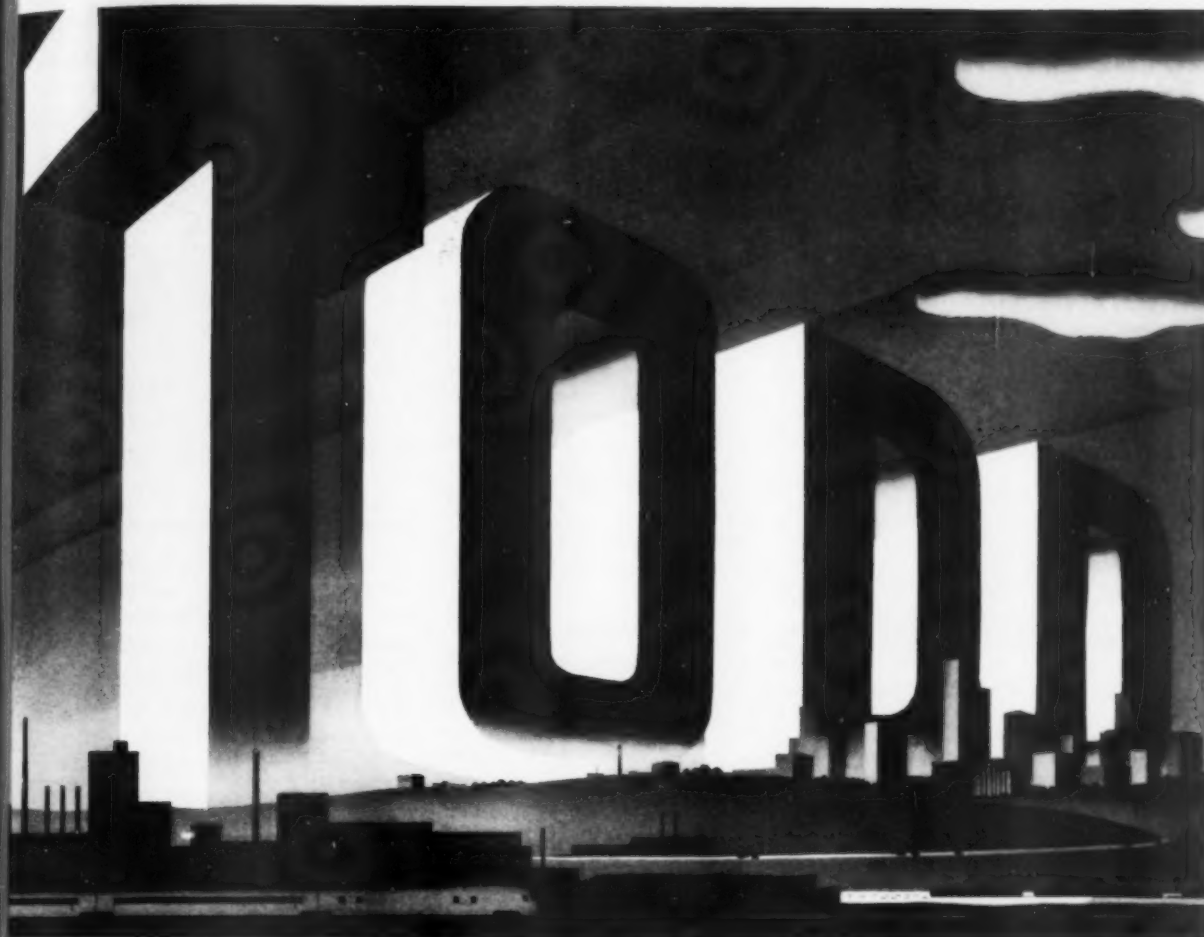
### Reserve Bill Might Be Pushed

However, a straight stock pile reserve program has a distinct advantage over the barter program. The government would go out into the open market and buy the rubber and tin that are needed. As things now stand on the wheat-cotton and rubber-tin swap, Washington has proposed but it is up to other nations to dispose. Therefore, failure of the barter negotiations might speed a stock pile bill.

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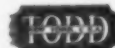
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## Too Much Rubber for the Cartel

Quotas in the past nine months have been heavily overshipped, and the trade wonders what means will be used to reduce the excess.

MANY AND COSTLY have been the efforts to regulate the world's supply of rubber in the hope of getting producers a satisfactory price. Most conspicuous flop was the Stevenson plan—which helped to run the price up to \$1.25 a lb. in 1925 and passed out of the picture in 1928 after quotations had hit 20¢.

The rubber growers learned a lesson from the Stevenson plan's rise and fall—that Great Britain, alone, can't support rubber. The Dutch, who run nip and tuck with British Malaya in production, have to come along. Accordingly, when a new control scheme was hatched in 1934, not only the Dutch joined the British, but most of the world's other producers of rubber were enlisted as well—Sarawak, North Borneo, Ceylon, and so on.

The cartel was formed after the producing countries had seen the price of crude rubber go under 3¢ a lb., delivered, New York. By the time the international agreement went into effect, quotations were around 10¢ a lb. And, early in 1937, aided by the sharp rise in American business, the price hit a top around 27¢ (the cartel regards 18¢ a lb. as a satisfactory price).

### Cartel's Fortune Has Changed

During those days the lot of the rubber cartel was a happy one. For a time producing countries were allowed shipping quotas as high as 95% of "standard production." But it's a different story now. During the latter half of 1938, due to the business slump, shipping quotas

were down to 45%, and for the first half of 1939 they are 50%.

Critics of such cartel schemes have contended that agreements can work fine in fair weather but fold up in foul. Hence the present situation is attracting much attention. The question is, "Would the international agreement in rubber be able to stand up during a protracted period of sharply curtailed quotas?"

Cartel members have so heavily overshipped their quotas in the nine months ended March 31 that the rubber trade is wondering what adjustment will be attempted.

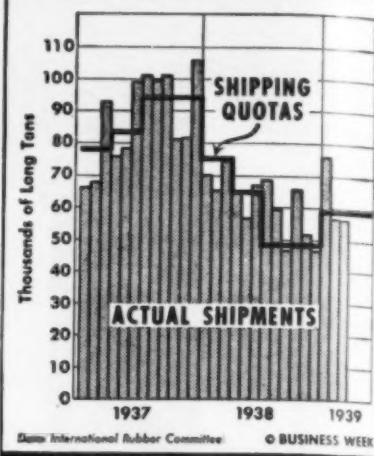
### They All Overshipped

During the first quarter of 1938, with the quota at 70%, shipments were 17,100 long tons under the allowables. In the second quarter, with the quota cut to 60%, undershipments totaled 6,900 tons. But in the latter half of the year, operating on skimpy 45% quotas, every single party to the agreement overshipped, and the total excess ran to 46,300 tons. In the first quarter of 1939, even though quotas have been raised to 50%, overshipments amounted to 12,230 tons.

Certain seasonal factors probably have contributed to the overshipments. Yet that scarcely explains the fact that Ceylon, for example, overshipped by 9,830 tons in the latter half of 1938 at a time when its quota was only 2,825 tons a month—an excess amounting to almost 3½ months' permissible shipments. Burma, with a monthly quota of only 337 tons,

## A CARTEL PROBLEM

Producers Overship Rubber Quotas



Conforming to cartel quotas isn't always pleasant for rubber producers. They pretty well balanced their overshipments by intervals of undershipment when the quotas were high. But now, with quotas low, overshipments are so customary that the cartel's effectiveness is threatened.

overshipped 1,524 during the half year.

Moreover, Ceylon has continued to overship, the excess for the first quarter of 1939 being 5,114 tons. Burma likewise overshipped, running over by 1,046 tons.

Output of Ceylon and Burma is scarcely a drop in the bucket compared with British Malaya and the Netherlands East Indies (Malaya's present quota is 25,386 tons a month and Netherlands East Indies' 26,287). Nevertheless, many in the rubber industry doubt that owners of plantations in Malaya, for instance, will struggle for long to keep their shipments close to 50% when they see their neighbors in Ceylon running at approximately 80% and in Burma at about 100% as they did in the first quarter of this year.

### Phone Case Settled

LAST WEEK St. Paul (Minn.) 'phone subscribers were granted an immediate refund of \$1,700,000, payable in cash or by service, through an order which is retroactive to June 1, 1936 (BW—Mar 18'39, p44), and which has been filed by the Minnesota Railroad and Warehouse Commission. Also, on June 1, 1939, both St. Paul and Minneapolis will be given a uniform, reduced rate. The reductions, averaging about 12%, will range from 25¢ a month for two-party lines to \$1.75 for a one-party business 'phone. By terms of the compromise agreement between the 'phone company and the commission, all litigation will be dropped.

### War Scares and Rubber

FEAR OF WAR continues to haunt America's rubber industry which must look to the far-off East Indies for almost its entire supply. There is talk of bartering cotton for a war reserve. Brazil, birthplace of rubber, may undertake large-scale planting. Meanwhile, here's the situation:

United States Rubber Co., with 100,000 planted acres, raises about 20% of its own requirements—in Sumatra.

Firestone, which will have planted 80,000 of its 1,000,000 optioned acres in Liberia this year, probably won't get 7,000 tons from its African plantations in 1939.

Goodyear has 1,000 acres in Costa Rica and 2,800 in Panama, both of which are successful, and 2,500 in the Philippines which are being abandoned (these developments can't mean much in war time, because expansion couldn't be rapid, as it takes a rubber tree seven years to "come of age").

Du Pont's synthetic rubber, now 1% of American rubber consumption, could fairly quickly supply the country's entire needs, according to E. R. Bridgewater. But Mr. Bridgewater cautions that there are technical problems of adaptation which might take some time to solve.



## What's Doing at Bonneville

**Ickes appoints a temporary administrator and fires chief electrical engineer in quarrel over power districts. Most of the project is in a muddle.**

BECAUSE BONNEVILLE DAM and the policies under which it's administered are basic to the long-term business picture in the Pacific Northwest, executives there have been pretty much agog as to who would be selected to replace the project's first chief, J. D. Ross, who died March 14.

Last week, Secretary of the Interior Harold L. Ickes ended their suspense temporarily by appointing Frank Banks, U. S. Reclamation Bureau engineer at Grand Coulee, as acting administrator.

First reactions were pleasant. Banks is considered practical, reasonable, and distinctly not a politician or theorist. But optimism soon cooled when it became apparent that the appointment was only temporary, that the permanent administrator, when finally selected, would undoubtedly follow policies laid down by J. D. Ross, as Sec. Ickes already had suggested.

### Row Complicates Job

The new acting administrator has a job on his hands. He finds Bonneville affairs in a muddle, economically and politically. This week Sec. Ickes fired Robert W. Beck, chief electrical engineer of Bonneville Dam, charging insubordination. Beck asserted he was fired for having made public a letter which the late Administrator Ross wrote last January but did not mail. The letter opposes the use of condemnation suits by public utility districts in acquiring the properties of utility companies. Such suits have been filed by PUD's (public utility districts) in five Washington counties against the Puget Sound Power & Light Co. for that part of the company's properties that lies within those counties.

Bonneville's first PUD prospect has bobbed up in southwestern Washington, where the Pacific County and Wakiakum County PUD's have agreed to buy West Coast Power Co.'s distribution facilities in that area. The Bonneville administration is to take the firm's transmission lines through the two counties for \$155,000. Arrangements are still in the air.

### PUD Policy and Business

The Bonneville act gives preference, in sales of power, to public agencies, and the former administrator's interpretation of this clause led him to bear down hard on public ownership propaganda in general, promotion of power districts in contemplation, and technical aid to dis-

tricts already formed. There are only four small districts in Oregon, but Washington has 25. Business in both states hasn't liked the emphasis the Bonneville administration has put on PUD promotion, particularly since all the territory is amply served now. What business wanted was a flock of new industries for the area.

Meanwhile, the Ross program for transmission system construction has gone ahead fast. Begun in August, 1938, every section of the first system, covering 640 circuit miles of transmission line with 12 substations, is well under way.

The brightest spot in the Bonneville situation is the navigation feature of the project, against which there has been allocated some \$33,000,000 of the cost to date. This has boomed Columbia River traffic, and regular barge lines now carry petroleum products eastward and bring down wheat and logs. The \$7,500,000 fishway system successfully passed the 1938 salmon run to the spawning grounds above and is performing well this year.

### A Couple of Power Customers

The power part of the project definitely is in a mess. After a year and a half, Bonneville has two power customers only, the city of Cascade Locks, Ore., and Northwestern Electric Co., Portland. It has billed about \$55,000 in power sales, and will have spent \$265,000 for administration, power selling, and public ownership propaganda when the fiscal year ends June 30. Congress recently raised another \$400,000 for administration and operation for 1940. These two customers hold the only power contracts Bonneville has signed and neither is permanent.

Last summer, Cascade Locks, planning city use of Bonneville power, negotiated with West Coast Power Co. for use of West Coast's transmission line from Bonneville to that small city, four miles up the river east of the dam. But under the urging of Administrator Ross, who needed a customer on his own lines to display to the world at the official opening of the Bonneville lock last July, negotiations were dropped. The Bonneville line was rushed in with much fanfare under a contract by which Cascade Locks agreed to take 100 kw. (BW-Jul 9'38,p40). Not more than 12 kw. have ever been delivered under the contract and this was used for street and flood

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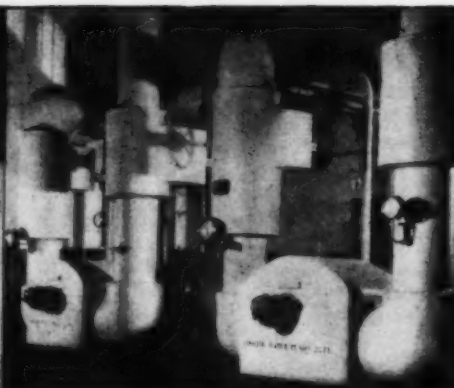
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lights loaned the city and installed for the July celebration (and later yanked out by their owners).

Only industrial concern out in the open as seeking Bonneville power for manufacturing purposes is Pennsylvania Salt Co., which, working with Chipman Chemical Co., proposed a plant near Cascade Locks for making sodium chlorate, a weed killer. The concern bought a site and was said to be ready to go if it could make a suitable deal with Bonneville. Then Rep. Walter M. Pierce (Ore.) introduced a bill in Congress to have the government build such a plant near Bonneville (the bill later died). Other chemical and metallurgical firms are said to have investigated establishing factories near the site, but so far nothing has come of it.

### Company Offers Pledge

Bonneville's largest immediate power prospect has been left dangling in mid-air. Several months ago, Portland General Electric Co. publicly announced a desire to buy a block of power for distribution to customers in the Portland area (containing about half the state's population). Accompanying the announcement was a pledge to reduce rates materially, not only passing on the small incremental saving, but discounting the possible future saving to be brought about by relief from necessity of future investments in generating plants of its own. This contract was under consideration at the time of Ross' death, presumably about to be concluded, but has been dangling since.

### Who'll Build Jails?

**Steel companies now face rivalry of concrete. New lockups are needed.**

A MONTH AGO two drunks and a boy of 18, who was about to be tried on a larceny charge, died in cells two floors below the ground level of the Worcester (Mass.) County Jail when a fire broke out. Neither turnkeys nor firemen were able to reach them. These were run-of-the-mill prisoners, the kind who do not ordinarily require unusual precautions for their retention; yet they were put in a place hard to get at. One explanation of this tragedy might be that the Worcester County Jail was inadequate.

The half dozen steel companies which make a business of fabricating steel for penal and correctional institutions agree with penologists that many of the 11,000 police lockups and 3,700 county jails in the United States are not able to make adequate provisions for segregation, sanitation, and safety—from either the guard's or the prisoner's point of view. No such fault is found with the approximately 175 prisons in the country, for prison building has increased rapidly

since the World War; but most of the small-town jails and lockups are at least 25 to 30 years old.

Potential construction possibilities look good. In the year ending June 1, 1937, for instance, the Public Works Administration allocated \$1,583,107 for federal and \$24,430,045 for state and local penal construction programs, a total of \$26,013,152. There were also applications during this period for an additional \$28,283,453. The amount of money that state and local governments poured into construction is not known, but the PWA figure is impressive just by itself. It is impressive when compared to the capitalization of the steel fabricators who make their bread and butter in prison and jail building. They are all comparatively small, as steel companies go; for example, the Stewart Iron Works at Cincinnati is capitalized at \$1,000,000.

However, their prospects are not as bright as they might be. They are 'way above the trough they settled into in 1932, when their whole industry sold only about \$550,000 worth of fabrications, but they face a trend led by penologists toward concrete, dormitory jails which use a minimum amount of expensive steel.

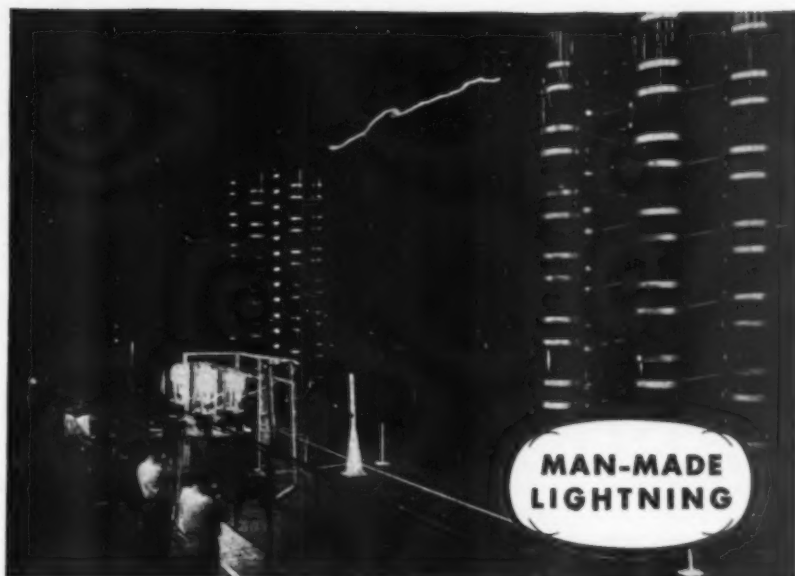
#### Pros and Cons of Construction

Naturally, the steel companies, which advertise "tool-resisting" steel, promote all-steel cell construction of maximum security, and they say it has many advantages over other types of construction. The opposition points out, however, that maximum security is necessary only for desperate criminals and that the average prisoner, especially in a county jail or police lockup, needs sanitary living quarters more than extra safeguards against his escape.

The National Jail Association, which was organized last fall, does not go to bat for dormitory jails or steel cells. Back of its professional facade—improvement of existing jails, research in modern penology, etc.—the wardens, sheriffs and others who belong to the association are presumably interested in bringing pressure to bear on the prices for jail equipment, which are reportedly pretty inflexible. For example, bids offered on fabricated steel for one institution recently varied only by \$16.

#### Firms Have Trade Group

Practically all the steel companies in the business belong to a trade association, the Prison Equipment Research Bureau. Most architects and purchasing bodies know nothing about penal construction and either go to the bureau, which offers them expert advice, or direct to the individual company. Besides retaining experts on construction, these companies also control patents on detention windows, selective cell-locking devices, and safety vestibules.



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SAN FRANCISCO'S Treasure Island has been painted with light by General Electric. Here, the new G-E short-wave radio station W6XBE carries news of the Fair to distant lands. In the G-E exhibit, the Magic Kitchen tells of new standards of living—the "House of Magic" reveals new wonders of science.

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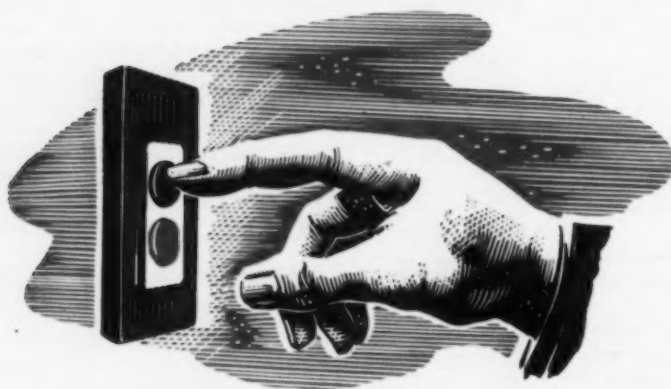
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The secret of McGraw-Hill readership lies in the value to the industrial man of the material he finds in these publications. Example:

the articles now appearing on the new Defense Program. These articles probe all angles, show the industrial executive what Defense means in terms of forgings, bearings, steel, copper, etc.—in terms of his business—his industry.

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Another example: the secret synthetic fibres being developed to replace silk received widespread publicity in the daily press . . . but only after *Textile World* editors had dug deeply and published the first reports regarding this development; and not until *Chemical & Metallurgical Engineering* had editorially explored the product chemically—and *Business Week* its business significance.

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## LABOR AND MANAGEMENT

### Oregon Law Stymies Unions

**Membership in labor organizations declines as strikes are practically prevented by new measure. Labor threatens nationwide boycott of state goods.**

NEXT WEEK, members of Oregon labor unions will place on the outside of all outgoing letters a colorful sticker with the legend: "Bring Your Sweatshops to Oregon, the Anti-Labor State."

By this bit of sarcasm, unions hope to focus national attention on their efforts to upset the state's anti-picketing law passed as an initiative measure last November by a 50,000 majority (largely as a reaction from terrorism). They hope the act will be branded unconstitutional by Oregon courts. If it isn't, they'll appeal to the U.S. Supreme Court. Most impartial observers believe that, if they lose in the highest court, the state is in for some plain and fancy varieties of hell, one of which might be a nationwide labor boycott of Oregon products.

As the law began its first test in the courts May 1, a few employers felt that it probably "goes too far" in strait-jacketing labor and that it may easily turn into a first-class boomerang. But on the basis of experience to date, the majority are convinced it's a wise move.

The law defines a labor dispute as a controversy between an employer and a majority of his employees and bans picketing, boycotting, or preventing manu-

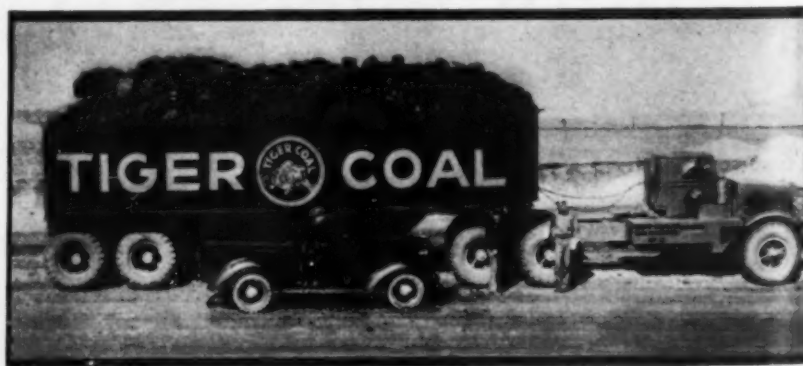
facture and sale of products except in authentic labor disputes. It also prohibits unions from collecting money "in excess of legitimate requirements" and from "molesting" anyone seeking employment. Violators are subject to a \$500 fine and one year in jail.

So far the law has delivered the goods for its backers. There have been very few *bona fide* labor disputes in Oregon since last November. Some 200 controversies are now pending in Multnomah County (Portland) alone but in not more than three or four have the unions attained the 51% employee participation which entitles them to picket and boycott. Strikes by craft unions to force recognition (or for any other reason) are practically impossible, as a craft group rarely constitutes a majority of an employer's workers. Picketing in jurisdictional disputes, and "secondary boycotts," have been completely blocked.

#### Assailed as Unconstitutional

The American Federation of Labor and Congress of Industrial Organizations have united in bringing identical complaints against the law in the Circuit Court. They are proceeding under Ore-

### The Tiger Coal Co.'s Lightweight Whopper



This giant trailer, built by the Tiger Coal Co., Tiger, Mo., actually is as big as it looks, but it isn't as heavy. It is carrying eighty tons of coal in the picture above, but six and a half tons are getting a free ride—because that's just about how much weight

was saved by the use of Mayari R steel in its construction, rather than plain carbon steel. The trailer hauls coal on the Tiger Co.'s own premises. Motorists ought to be pleased to learn that it doesn't come out on the public highway.

Bethlehem Steel Co.



gon's declaratory judgment statute which allows a citizen who believes his rights are threatened by a new law, to seek protection of the courts even before specific damage occurs. The railroad brotherhoods have intervened as interested parties in both cases.

The act is attacked as unconstitutional and theoretically threatening union rights on some 56 counts. As a backstop, labor attorneys filed additional complaints April 28 alleging specific damages sustained by a Portland local of the International Alliance of Theater Stage Employees & Moving Picture Machine Operators.

#### Picketing and the Law

Meanwhile, on the surface the act is working like a charm. For instance, last week in McMinnville a controversy arose when the Eagle & Worth Co., a sawmill employing 81 men, fired two members of the International Woodworkers of America. The union called a strike and established a picket line. The company proved to the sheriff that less than 50% of the men had walked out. He, in turn, informed the union that under the circumstances picketing was illegal because there was no authentic labor dispute. Pickets were promptly withdrawn. (Labor attorneys don't want pickets arrested on weak cases that would threaten their position in the courts.)

The cumulative effect of scores of similar knockouts since the law became effective has many of the unions pretty groggy. In the weaker organizations members are resigning wholesale and others have quit paying their dues. One large Portland union (warehousemen) has lost 700 members since the first of the year.

#### Unions Are Hard Hit

Union efforts to organize sawmill workers in the Willamette Valley (the McMinnville episode last week was one of them) have been blocked by the law, an impasse which is playing havoc in their Portland ranks. The large lumber manufacturers in the Columbia River Basin, operating under contracts with the lumber unions, pay wages about double those put out by their small nonunionized sawmill competitors in the Willamette Valley. In self-protection, the big operators aren't sawing much of their own rough lumber. Instead, they are buying from Willamette Valley competitors and are refining the boards in the "back end" of their Portland mills. So the boys in the "front end," the sawmill employees of Columbia River Basin firms, aren't working full time any more, but only two or three days a week. As they make up more than 50% of the total membership of all lumber unions in the Portland area, the effect on union income and morale is serious; and there isn't much the unions can do about it.

In general, both sides are using mod-

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eration in their dealings with the new act. But despite the frowns of the large-scale employers, many of the smaller enterprises (like theaters and restaurants) are taking advantage of the law to oust union employees, lower wages, and chisel on working hours. A few of them have dropped back even to the minimum requirements set by the Wages and Hours Act. Some Portland employers are urging that "now is the time to force the open shop."

### See Full Meaning of Law

As more of the smaller employers break off contractual relations with unions, the full import of the law is beginning to dawn on union members. Incidentally, the criminal indictments brought early in 1938 against some 105 business agents and lesser fry (mostly from teamster ranks) were nicely timed to provide ammunition for backers of the initiative. A counter-reaction now appears to be under way, with the average worker somewhat grimly convinced that Oregon unions are fighting for life. This sentiment is reflected in a decided stiffening of labor's attitude toward employers and a disposition to get tough "on principle."

State and Multnomah County officials aren't any too hot for the law. Republican Governor Charles A. Sprague declared against it in his campaign last November. Backers of the act, apparently convinced that the state and county attorneys charged with defending the law in the current cases may not be exactly on fire with zeal, have slipped in a leading Portland corporation attorney as advisory counsel for the defense.

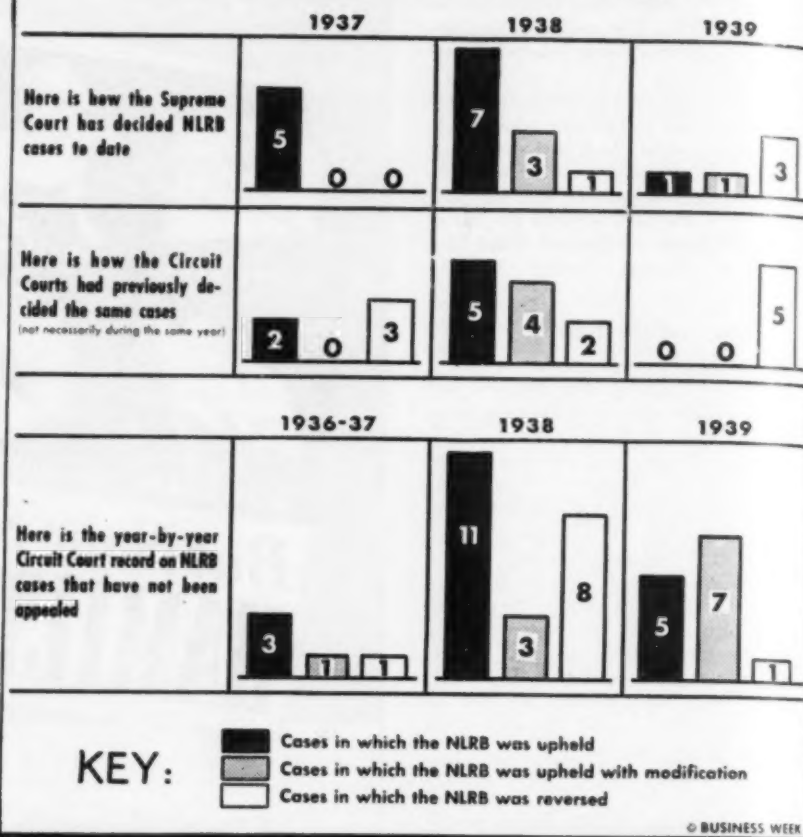
Both pros and cons say the law isn't as tight legally as it might be. Attorneys for both sides believe the issue will turn finally on whether the words "majority of . . . employees" used in the definition of a labor dispute are so vague as to be in violation of the "due process" clause of the Constitution (and of Oregon's basic statutes). They speculate, for instance, on what the definition in the law would mean applied to a national chain store company with employees in Oregon.

### A Tense Peace

Meanwhile complacency seems to be the attitude of most Oregon employers, a feeling that the act represents "a much-needed job well done"; that for a couple of years at least (while the law is in the courts) Oregon will enjoy labor peace. If it's finally upset, they say, they'll "think up something else."

Impartial observers aren't so sure about prospects for continued labor peace in Oregon. They point out that the anti-picketing law ties down tight the safety valve on the labor boiler and they are beginning to speculate on what will happen when the accumulated pressure gets too strong.

## THE COURTS AND NLRB



## Wage-Hour Charges

**Atlantic Coast Line Railroad accused. Twelve companies are enjoined.**

A RAILROAD, a mattress-cover factory, a trouser company, and a shoe manufacturer are in the toils of the federal Wage-Hour Law. Last week the Atlantic Coast Line Railroad became the biggest defendant to date when the wage-hour administration filed an injunction suit in the United States District Court at Richmond, Va., alleging that wages of 4,400 maintenance of way workers were kept below the legal minimum through such devices as renting them non-existent houses and overcharging them for food rations.

In the first action of its kind, the federal district court at Wheeling, W. Va., has ordered the Standard Trouser Co., Inc., of Buckhannon, W. Va., to produce its books and records this week at the wage-hour offices in Pittsburgh so that the administration may determine whether the company is violating provisions of the act. Also, Administrator Elmer F. Andrews has signed a subpoena for the records of the Reubin Brothers Footwear, Inc., operating in Waycross, Ga., and the first criminal prosecution in New York City has been

entered against the Kobrin Manufacturing Co., a mattress-cover factory, which has allegedly been operating under unfair labor conditions.

Like all railroad trackworkers, the 4,400 employed by the Atlantic Coast Line are guaranteed a minimum of 25¢ an hour but are not included under the hour provisions of the act. The railroad is accused of taking advantage of the section of the act which permits an employer to make deductions from wages for board, lodging, or other facilities which have been furnished the employee. In this way, the suit charges, the road was able to maintain the old, below-standard wage level. The railroad is also charged with failure to keep certain records on the wages and hours of some 15,000 employees. Administrator Andrews estimated that approximately \$300,000 in back wages and penalties are involved. This money, however, would be collectible only if the employees sued for it.

### Goods Tied Up Under Act

So far, 16 civil cases have been filed and 12 injunctions have been granted; four cases are pending. Six criminal actions have been filed by the Department of Justice; in response to four guilty pleas, fines totaling \$31,500 have been imposed, all but \$9,000 of which has been

suspended on the provision that full restitution be made to employees.

In three of the civil cases, where the "hot goods" provision of the act was invoked, injunctions tied up 2,500,000 board feet of lumber and more than 1,000 railroad cross ties in Virginia, 971 sets of toys in Chicago, and 4,500 dresses in Aurora, Ill.

## Firm's Plea to Union

**New York bus company okays labor organization but opposes closed shop.**

A LONG STEP in the development of "reports to employees" has been worked out by a New York City transport company, and judging by the complimentary remarks of union leaders and industrial relations executives, it may serve as a pattern for other firms. Several companies have dipped cautiously into the subject of collective bargaining; others (notably Mid-Continent Petroleum) have given stockholders brief descriptions of current labor troubles. But the reports just issued by New York City Omnibus Corp. and its companion company, Fifth Avenue Coach Co., go much further.

Both companies are subsidiaries of Omnibus Corp., which also owns the Chicago Motor Coach Co. and Chicago Gray Line Tours. Under N.Y.C. Omnibus are the Eighth Avenue Coach Co. and Madison Avenue Coach Co., which run the buses that took over the surface street-car job a few years back.

In labor circles, these names are well known—and so is John A. Ritchie, president of the holding company and active director of the operating companies. In the past, there have been stiff battles over union attempts to organize the transport workers, both in Chicago and in New York City. Charges of unfair practices have been brought to labor boards. But during the last couple of years the New York coaches have run smoothly with members of the Transport Workers Union (C.I.O.) at the controls, and the Chicago companies have operated without trouble under an Employee Representation (independent) plan.

### "Unionism Here to Stay"

What pleased many an up-to-date industrial relations man this week was the direct, matter-of-fact statement of policy which Ritchie incorporated into the N.Y.C. Omnibus and Fifth Avenue Coach reports. He writes:

"Unionism is here to stay and, apparently, on an increasing scale in membership, as well as on a basis of wider scope in activity." He goes on to warn that "too many regulatory prohibitions, as well as membership by compulsion, break down allegiance of the worker toward unionism. . . . Since it has been proved that labor agreements can be amicably

and satisfactorily negotiated through discussion and debate, why cannot membership in unions be more successfully solicited and maintained by the same method of logic and reasoning?"

His arguments against a closed shop are not motivated by a wish to crack up the T.W.U., as he shows with this: "It is the considered opinion of management that nothing would contribute so much to recovery as the substitution of long-term contracts—say from three to five years—for the existing union policy of one-year contracts."

Gratified by the report, which goes into union matters for some half-dozen pages, the transport union was urging its members to read the Ritchie argument carefully this week. Its campaign to promote greater courtesy among employees was called "something new, constructive and progressive in unionism" by the company's head, and the general feeling was that Ritchie's man-to-man style of talking things over was also new, constructive, and progressive.

## LABOR ANGLES

### What They Really Think

FINDING OUT WHAT EMPLOYEES think is difficult—and pitfalls await the questioner who goes about his survey in the wrong way. For the interested employer, a digest has just been completed by Harold B. Bergen of McKinsey, Wellington & Co., management engineers. It is published by the National Industrial Conference Board, in its April *Management Record*, and gives a clear explanation of the methods to use in determining what the worker's attitude is—not what the employer thinks it should be.

### Steel Union School Expands

THE STEEL WORKERS Organizing Committee (a part of the C.I.O.) is coming up with new educational ideas for its members. Already well known to business as sponsor of two notable handbooks (on handling of grievances and discussion of production problems), and as the backer of a summer camp school last year which invited topnotch industrial relations men to talk to its union students, S.W.O.C. will expand the formula this year by running two summer schools at a campsite at Frankfort Springs, Pa., about 30 miles from Pittsburgh. Union committeemen will be urged to arrange summer vacations so that they can attend classes from July 2 to July 6, or from Aug. 13 to Aug. 19. And at other times during the summer, the same camp will be used for short courses by five other C.I.O. unions—the Amalgamated Clothing Workers, Aluminum Workers, Flat Glass Workers, Rubber Workers, and Electrical & Radio Workers.



Walter Wille, managing director of Wellington Arms (left), popular Chicago residential hotel.

## "Iron Fireman Saved Us \$108,000 in 12 Years"

*Would you like to know what YOU can save?*

Fuel costs at Wellington Arms have been \$108,000 less, in the past 12 years, than they would have been if pre-Iron Fireman methods of firing had been continued, says Walter Wille, managing director. That's an earning of 165 per cent a year on the investment in Iron Fireman stokers. In 12 years, capital outlay has been repaid 20 times over!

We cannot promise you such tremendous savings—unless your situation happens to offer such opportunities for improvement. But if you will authorize us to make a survey of your boiler room at our risk and expense, we will give you a conservative and dependable report, showing what Iron Fireman can do, in your particular job, in the way of fuel saving and betterment. This report will include an estimate of cost, and an offer of easy monthly terms.

Iron Fireman stokers are made by a strong company concentrating on doing one job well. As a result, Iron Fireman offers the greatest value in its field including trouble-free long life, highest combustion efficiency and careful attention to engineering and installation details.

The Iron Fireman Commercial Heating Stoker.



**IRON FIREMAN**  
Automatic Coal Stoker

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## PRODUCTION

### Standard Oil's Better Gasoline

Indiana company, together with S. O. of N. J., is developing a rival to the Houdry catalytic refining process. Price at filling station may drop.

HAPPIEST DREAM of any manufacturer is a new process that will give him greater production, improved quality, and lower cost. The other day Standard Oil Co. of Indiana held in its Chicago office a preview of its annual meeting, to save finan-

cial editors the trip to corporate headquarters at Whiting, Ind. Pres. Edward G. Seubert, in an expansive moment of unaccustomed loquacity, departed from the printed text of his annual report and disclosed that his company is getting

toward the goal in a search for just such a triple-threat process in gasoline making.

He revealed that his company, along with Standard Oil of New Jersey, I. G. Farbenindustrie of Germany, and M. W. Kellogg Co. (largest American engineering and construction firm specializing in the petroleum industry) is developing a catalytic refining process which may well give the same results as the Houdry process and at lower cost. He added that the company had investigated the Houdry process, but concluded the royalty asked was too high. What Seubert said at the meeting is all that S. O. (Ind.) is saying as yet. And that's that.

#### Explaining Houdry Process

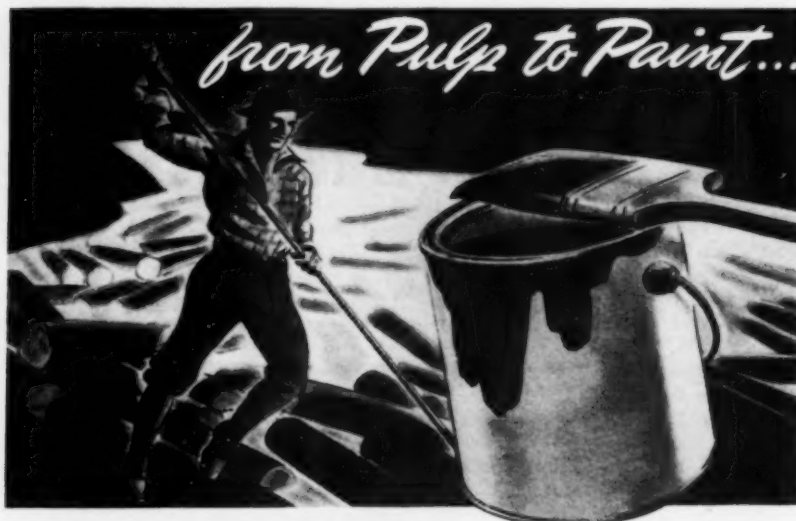
Only to oilmen do the words "Houdry Process" mean a great deal. Eugène Houdry is a Frenchman who brought to this country a few years ago the rudiments of a new way of getting more and better gasoline from petroleum. Socony-Vacuum had a whirl at making it commercially practical, then it went to Sun Oil Co., which finally got it into shape for money-making use. Houdry's associates and the two American companies now control one-third apiece. Both refiners are using it, and it is open to anybody who cares to pay the required royalties.

Until the Houdry process came along, the only method for getting from crude oil more gasoline than comes off in plain distillation was the thermal cracking process now in use by practically every refiner. In thermal cracking the fractions lower than gasoline are heated and put under pressure. The molecular rearrangements that result produce from the gas-oil intermediate fraction a maximum economical yield of 70% gasoline of a none too high octane (anti-knock) rating.

To raise the octane to meet requirements of the automotive market the refiner has to add ethyl lead; to meet aviation requirements he also has to add a substantial proportion of the high-cost fractions of distillation. And while some of the molecules in his thermal cracking chamber are splitting into gasoline, others are combining into heavier products which eventually go into fuel oils and other low-value commodities.

#### Catalyst Used in Process

Houdry's process permits the use of lower temperatures and approximately atmospheric pressures through introducing into the reaction chamber a catalyst of a clay type. (A catalyst has been described by frivolous-minded chemists as a substance fulfilling the same function in a chemical reaction as a preacher at a wedding; it joins together what it comes in contact with, but is itself unchanged.) The Houdry process produces 80% economical yield of gasoline from the gas-oil intermediate. Quite as important, the gasoline from a Houdry still runs a much



### NOPCO PROCESSING CHEMICALS

REMEMBER the paint that "settled"? The varnish that gleamed too brilliantly? Development of specialized metallic soaps by Nopco's subsidiary, the Metasap Chemical Company, solved both problems—to the benefit of manufacturer and consumer alike.

• In similar manner, Nopco developments benefit the paper industry. Pitch, for example, is now washed from wood pulp with Nopco 1216K Treatment. Result: Pulp is much improved; pitch no longer adheres to machine parts causing costly cleaning operations, mill shut-downs and production loss.

• In paper mills, textile mills, leather tanneries, refineries, cosmetic companies . . . in fact, in scores of industries too numerous to list, products are better and processes improved—through Nopco Processing Chemicals. In like manner your industry may benefit through Nopco's research—through its world leadership in the chemistry of fats and oils, including oil sulphonates and synthetic organic chemicals. May we send you the technical facts of interest discovered for your industry? They will be supplied without the slightest obligation.



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Harrison, N. J.  
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National Oil Products Company  
Harrison, New Jersey

Gentlemen:

Please send me technical information for the \_\_\_\_\_ industry.

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higher octane rating—so high, in fact, that Sun and Socony are selling no Houdry gasoline to the public but are using their entire output to doctor up their lower-octane gasolines to a higher anti-knock rating.

### Others Spurred to Emulation

The industry has seethed with rumors ever since the Houdry process was publicly announced at the American Petroleum Institute convention last November. Sophisticated oilmen knew that other big companies would not take it lying down, that they would set out to find ways as good for using catalytic refining processes without paying Houdry royalties. Petroleum chemists unanimously assumed that, once the catalytic principle was known, it could never be confined to a single process by patents or privacy.

Confirmation of this surmise comes when S.O. (Ind.) is willing to admit that itself and friends are developing a catalytic refining process claimed to give as good results as Houdry's at lower costs. The normally reticent Mr. Seubert would not be talking at all unless he felt reasonably sure that he has something and unless the new process is somewhere near ready to go. With the two big Standard companies joining the ranks of catalytic refiners there is likely to be a substantial increase in low-cost anti-knock motor fuel on the market—and a substantial increase in gasoline yields from American crudes.

What it will mean to the industry is still far from clear. Presumably there will be other catalytic processes developed, since it is known that other big outfits are also at work in the field. Eventually there should be plenty of choice of processes open to refiners, and plenty of opportunity for bargaining the royalty rates downward. But if catalytic refining should entirely supplant the present thermal cracking process—which seems unlikely for some years at least—a billion dollars' worth of refinery equipment would become obsolete. Gasoline might become cheaper at the roadside station. Fuel oils might well become scarcer and more expensive.

### Effect on Engine-Designing

One set of facts seems beyond argument. The companies using the most efficient catalytic processes will be all set to call any and all bets from competitors who want to raise in the octane poker game that has been running for the past few years. Automotive engineers can have a freer hand in designing engines dependent upon high-octane fuels. And there will be available a much more liberal—and presumably less expensive—supply of high-octane fuel for the type of aviation engine that has thus far been pretty much confined to military ships because of the necessity for fuel economy in civilian flying.



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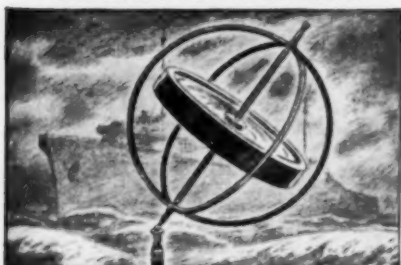
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## A Mallory Metal to Level Oceans



Among the new Mallory Metals introduced within the last year, one offers such high specific density that it is unusually adaptable for use in marine gyroscopes, as well as for fly wheels and counter-weights on aircraft where space is at a premium.

This unique application of a Mallory Metal simply highlights the unlimited range of applications brought about by Mallory's intensive work in the field of "hardened copper". Combining greater strength and hardness with greater electrical and thermal conductivity . . . one or more of the Mallory Metals may be used to advantage in most electrical devices and in every resistance welding operation. Mallory invites you to bring your metallurgical problems to them at any time.

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**SHORTEST, FASTEST  
COAST-TO-COAST**

## Steel Farm Buildings

**Tennessee Coal, Iron & R.R. Co. pushes its plan to sell prefabricated houses.**

HAVING COMPLETED searching laboratory and in-use tests of its prefabricated steel buildings for farms, the Tennessee Coal, Iron & Railroad Co. (Birmingham subsidiary of U.S. Steel) is going ahead with ambitious plans for production and sales. The buildings will be sold "wholesale" only and will consist of five-item units (dwelling, barn, chicken house, smokehouse, privy). Development of the highly novel idea (BW—Feb 19'38, p38) leads the company to believe that it has one of the answers to the disgraceful living conditions existing on thousands of American farms.

First experiment was with 14 units sold to the Farm Security Administration. They were erected on rural sites in Alabama, Georgia, South Carolina, Florida. The houses have been occupied for some time and have been carefully checked for correction of "bugs." Word got about, resulting in many inquiries and several orders. Inquiries came from states in the South, California, Washington, Maine, even Latin America.

Much of the interest in the houses derives from the remarkably low cost. The entire unit, consisting of five structures, sells for less than \$3,000, varying with shipping costs. The company advertises that the pre-formed panels can be erected and bolted together without skilled labor.

T.C.I. is now preparing to promote and manufacture these units on a large

scale. It is too smart to let itself in for a new sales organization that would be necessary to erect or retail the houses one by one. It will supply the prefabricated sections to contractors, builders, or other volume purchasers. The company has completed preparations for production. In addition to modernizing machinery already employed in the fabricating shop, it will add new equipment for forming, welding, assembling, painting, drying. This is expected to take about five months. Executives see here an important new market for steel. Each unit requires about 12 tons. First-year sales are expected to create a demand for 8,000 to 10,000 tons.

### How They're Cooled, Heated

Most common crack made by South-erners at hearing of the steel houses is, "Won't they be hot as blazes in summer?" T.C.I. researchers answer in a confident negative. They claim that the steel houses are cooler than uninsulated frame structures. Cooling is achieved by a simple circulation system. Wall panels have holes in the bottom and top. Cool air comes in at the bottom and hot air escapes at the top.

Heating proved more of a problem than cooling. The company is experimenting with a fireplace unit, available as an extra. It consists of a steel cabinet with a steel fireplace inside. Cold air is taken in at the bottom through grilles, heated in the space between jacket and fireplace, passed out at the top. This provides circulating hot air for the entire house. Steel flues are used to connect with the steel chimney.

While the five-room dwelling offers



The Tennessee Coal, Iron, and Railroad Co. does its share towards improving living conditions in rural areas, by preparing to go into the large-scale manufacture of prefabricated steel farm buildings—like the

one above, being used in a Farm Security Administration experiment in the South. The buildings will be sold in five-item units—farmhouse, barn, chicken house, outdoor pantry and privy—for less than \$3,000.



sharecroppers hitherto unknown comforts, poorly-housed Southern mules will huddle with satisfaction over the barn. It is 20 by 32 ft., contains corn crib, hay loft, implement space, and two compartments for stock. The poultry house accommodates 50 fowls, is properly ventilated. Chickens enter on a ramp which can be folded up and locked to form a door at night, protecting the inhabitants from prowling foxes or thieves.

## Silkworm Farms

Governors of Southern states are urged to establish them, and grow U. S. silk.

LAST WEEK the governors of 10 Southern states received from Silk Worm Industry, Inc., RKO Bldg., New York, a request that they set up state laboratory farms, and permit the organization to stock them with white mulberry trees and silkworms. Immediate object is to teach sericulture to Southern farmers. Long-term object is to help create an adequate supply of American raw silk and enable Americans to keep at home some of the millions (\$400,000,000 in 1929, \$120,000,000 in 1937) spent for silk of other nationalities, notably Japanese.

Students of the silk situation will be quick to turn back the pages of history to the time when the United States tried hard to encourage domestic sericulture, only to lose out to the nations of the Orient and their plentiful low-priced labor. The same students will be equally quick to point out the competition of the modern rayon industry and the impending quantity production of du Pont's Nylon.

Undeterred by such discouragements, Silk Worm Industry, Inc., is now engaged in growing white mulberry trees and producing silk cocoons on its own farm near Lantana, Fla. Scientific head of the organization is Dr. Ludwig Harpootlian, sericulturist; business skipper is Adam F. Loecher, general manager; director of public relations is Louis DeBord, former Chicago publicity man.

## New Building Material

It's used in giant Red Hook housing project, and so is new working method.

DURING JULY, if all goes according to schedule, the first families of Red Hook will be moving into the first seven of 25 apartment houses now being constructed near the South Brooklyn waterfront by George A. Fuller Co., New York, for the New York City Housing Authority under a loan contract with the U. S. Housing Authority. If all does go according to schedule, the editors of McGraw-Hill's

# Room 816 —again!



WHEN we first saw them, we thought they were fresh from the ceremony. So did a lot of others in the big lobby of the *Detroit Statler*, for there was a sudden epidemic of that Contagious Smile which folks everywhere seem to reserve for newlyweds.

Certainly they looked the part. As they entered the Washington Boulevard door and walked towards the room clerk's desk, he was holding her arm and they were apparently oblivious of everything but each other. She stood by their bags, smiling, and we wouldn't have been a bit surprised if a few stray grains of rice had made their appearance.

"I wired for a reservation," he announced to the clerk as, with a flourish, he proudly signed the registration card: *Mr. & Mrs. Burton E. Randolph.*

"Yes, we received it, Mr. Randolph." Then they walked to the elevators and that Contagious Smile followed them. Even the eighth floor clerk displayed it as she greeted them: "Good evening, Mr. and Mrs. Randolph."

The bellman was inserting the key into the door when he heard a happy little cry. "Burt! Oh, Burt! We have Room 816—again! Oh, it's too good to be true!"

"Yes, darling," he answered slowly, "two years ago tonight they also gave us 816. I wonder if they knew?"

Of course we knew! It was by no idle chance that Burton and Catherine Randolph would spend their wedding anniversary in the same room which had been their home during their honeymoon. When their reservation wire was received, we checked our records—after that, our romantic instincts did the rest.

Perhaps assigning these young folks to Room 816 was a little thing. But we're just as careful and painstaking in bigger things. That's why Statler Research Executives are such busy people.

When you awake after a perfect night's rest, perhaps you'll think of the inner-spring mattress—with its 837 springs—that made your bed so comfortable. Statler Research designed that bed. Perhaps you'll think of the sterilized drinking glasses in the bathroom, the button that the laundry has sewed on your shirt, or some of the many other things that Statler Research has provided.

And, if you do notice them, you'll have your fellow travellers to thank, because, you see, for 25 years Statler Research has been asking them what they want in hotel service. That's why it pays to—



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## SECRETARIAL EFFICIENCY

By FRANCES A. FAUNCE and FREDERICK G. NICHOLS  
601 pages, 6 x 9, illustrated, \$3.50

In this unique approach to secretarial training, the author gives a fresh, vigorous interpretation, taken directly from her own firsthand experience and observation as a successful secretary to leading executives. Here are the methods of procedure which the employer would like to lay out for his secretary, if he had time, together with hints which he might well give for her improvement, if criticism were not so delicate a matter. One employer said, "I would like to sit down with this book and check in the margin paragraphs full of information that my secretary needs to know but that I haven't known how to bring before her."

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*Construction Methods and Equipment* point out, success will be largely due to the employment of a new construction material and a new working method in the \$12,000,000 2,500-apartment, 10,500-room project.

### Can Carry Higher Stresses

The material is Isteg Cold-Twisted Twin-Bar Steel, used as tension reinforcement for concrete girders and slabs in floors and roofs. Since the new steel, which consists of two rods twisted in a helix, is permitted to carry 50% higher working stresses than standard reinforcing bars under the 1937 New York City Building Code, there is a 33% saving in weight of steel to be bought and handled.

The new method is Vacuum Concrete Finishing wherein a multiplicity of vacuum mats, 3 x 4 ft. in size, are laid on freshly poured and vibrated concrete. Connected by hose lines to suction pumps, the mats suck out excess water from the slabs, expediting surface finish, accelerating strength development in the concrete, and producing savings for the contractor by reducing finishers' overtime. Experts in the building field are predicting that the employment of both new material and new method in the Red Hook Houses will earn a substantial credit for the owner on the original contract price.

## Pay to Keep Cool

New installations of air conditioning are metered, putting cost on tenants.

UNTIL RECENTLY any building owner who wanted to contribute to the comfort of his tenants by installing air conditioning has faced two embarrassing choices: hike the rent or absorb the cost. Fortunately for his economic welfare and the tenants' comfort, he now has a third choice: "metered air conditioning."

According to W. B. Henderson, executive vice-president, Air Conditioning Manufacturers' Association, Washington, the pioneer installation of metered air conditioning is in the Stuart Building, Lincoln, Neb. System includes conventional compressor and cooling equipment in the basement. In summer pumps distribute water at 40 deg. F. through the same pipes which carry hot water for heating in winter, to several first-floor stores, nine floors of offices, and a three-story club atop the building. Each tenant has one or more unit air conditioners hooked to the cold water supply and adjusted to his own particular air conditioning desires and requirements. A meter in his supply line ticks off the amount of cold water used each month, and he is billed accordingly.

In Chicago's Bryn Mawr-Winthrop Building, a candy shop, restaurant, clean-

ing establishment, dress shop, and grocery all get metered air conditioning from a single central cooling plant. Unlike the Stuart Building installation, which circulates cold water, the newer installation pipes freon refrigerant directly into each tenant's unit air conditioner. As in the Stuart Building, actual usage is recorded by meters, and the cost is apportioned monthly. In both buildings, charges are set up to amortize equipment cost over a conservatively estimated 10-year life.

## New Electrode Rival

**Great Lakes Coal & Coke Co. will compete with National and Speer, its customers.**

LAST WEEK National Carbon Co. and Speer Carbon Co., virtually the only important producers of carbon and graphite electrodes in the United States, got a jolt: The Great Lakes Coal & Coke Co., which supplies their electrode plants with raw materials, is going to become a competitor. It has organized the Great Lakes Carbon Corp., and will build a new electrode plant at Niagara Falls, N. Y., where National and Speer have their plants, too.

Great Lakes Coal & Coke is continuing to supply both Speer and National, but National is reported to be contemplating the purchase of its coke and other necessary materials elsewhere in the future.

## Industry's Output Record

Production in the electrode industry has been below capacity so far this year, but Great Lakes is understood to have been impressed by the fact that the industry lagged from three to six months behind production demands in 1937, a year in which \$20,432,212 of business was done in electrodes and related products. This was a considerable increase over the \$12,470,006 figure for 1935, according to the biennial Census of Manufacturers.

Great Lakes' new plant, which will not be ready for several months, will be of advanced design, will manufacture amorphous carbon electrodes and graphite electrodes and anodes, largely used in the electrometallurgical and electrochemical industries. Eventually manufacture may be expanded to include other specialized, miscellaneous electrical machinery and apparatus.

## Army Field Loses Labor

METAL-WORKING EMPLOYERS and Wright Field, experimental station of the Army Air Corps, are raiding each other's skilled labor. When business was poor, Wright Field's civil service and steady wages pulled in good men. But now, with improved conditions and munitions booming, private employers pipe the sweetest notes, and Wright goes begging for designers and tool engineers.

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You just pick up the Handi-pen and it writes—instantly, smoothly. The point rests in ink (a year's average supply at one filling). No constant dipping, clogging, flooding. No nuisance of frequent refilling. Used by famous business leaders. \$2.50 to \$45.00—including beautiful deluxe sets for executives. HP-5 illus., \$4.00. Equip your business with Handi-pen, and save time, work, and money. See your stationer for details of 10-day trial offer, or order direct.

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5BW Sengbusch Bldg. Milwaukee, Wis.

## NEW PRODUCTS

### Sit-Down Duplicator

MOTION STUDIES at the Everett, Mass., offices of Standard Mailing Machines Co. led to the development of the Posture Model Standard Fluid Process Dupli-



cator, scientifically constructed for minimum fatigue. It permits the operator to sit down and is controlled by hand or foot.

### Steam When You Want It

A MINIATURE BOILER, about the size and appearance of a glass fruit jar, comes from Westinghouse Electric & Mfg. Co., East Pittsburgh, Pa. When it is plugged into an ordinary electric outlet, its in-built resistance coil produces steam in 15 seconds and will evaporate about five pints of water an hour.

### Crosley Camera

HARD UPON the announcement of the new Crosley car (*BW—Apr 29 '39, p. 22*), Crosley Corp., Cincinnati, releases news of the new Crosley Camera. Designed for



the popular-price market, the minicam is equipped with built-in photoflash and a unique steadying handle, both detachable. Since the lens is fixed focus and there are no adjustments, almost anyone can push the button and get a picture, night or day.

### Packaged Attic Fan

THE NEW CHELSEA DELUXE ATTIC FAN is being shipped by Chelsea Fan & Blower Co., Inc., 370 W. 15th St., New York, in a solid plywood case which can be used as a part of the attic suction box and thus reduce the cost of installation. Fan can be had in sizes ranging from 24 to 60 in.

### Unicycle Unitractor

THE SINGLE DRIVE WHEEL of the Eaglesfield Unitractor, made by R. D. Eagles-



field, 300-400 S. LaSalle St., Indianapolis, takes its power direct from a husky little Briggs & Stratton engine. The whole outfit has been designed to pull or push everything from plows and lawn mowers to factory floor sweepers and material handling trucks.

### All-Purpose Woodworker

NEWEST DEVELOPMENT of DeWalt Products Corp., 1358 Fountain Ave., Lan-



caster, Pa., is its DeWalt Type GP All-Purpose Woodworking Tool. Its arbor can be located quickly in almost any position conceivable, accommodating a wide variety of saws, grooving heads, shaping cutters, routing and boring bits, grinding wheels, and sanding attachments. Two men can move the machine easily from location to location.

### Fog-Gle Cloth

ONE WAY TO SOLVE the problems of fogging lenses in goggles, masks, shields, and other safety equipment, is to rub

them on both sides with Ipeco Fog-Gle Cloth, a product of Industrial Products Co., 800 W. Somerset St., Philadelphia.

### Desk Cardineer

LAST FALL Diebold Safe & Lock Co., Canton, O., began to market its Cardineer, a large revolving wheel which will



hold up to 7,000 ledger cards (BW—Nov 5'38,p29). Now it is bringing out a Desk Cardineer, only 6½-in. diameter, to hold up to 1,500 3 x 5-in. cards. The wheel is molded from brown mottle Durez plastic by Chicago Molded Products Corp., Chicago. The standard, the adjustment knob, and the card segment holder are finished in high-polish chromium.

### PRODUCTION ANGLES

#### CO<sub>2</sub> Research

RESEARCH ON THE USE of carbon dioxide gas as a preservative of perishable foods (BW—Nov19'38,p34), is first on the agenda of the new Carbon Dioxide Research Project, sponsored by American Institute of Refrigeration, Chicago.

#### One-Fire Enameling

ORTHODOX PORCELAIN enameling practice was superseded by a new patented process when Ferro Enamel Corp., Cleveland,



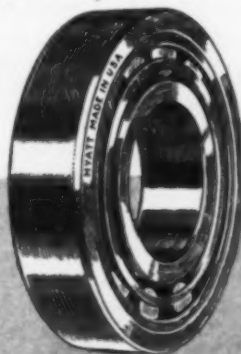
went to work on the large porcelain enamel mural which decorates its N. Y. World's Fair exhibit. Colors were applied by brush, as to an oil painting. All colors were fired at once at a temperature of about 1,600 deg. F.

## Where the Going is Heavy GO HEAVY ON HYATTS



**White Hot Ingots** riding the blooming mill roller tables will soon become steel sheets, strip, rails, tubes, bars, rods or wire. Dead weight, but alive with heat and impact that make it tough on bearings carrying these table rollers... an example of "heavy going" in this world of spinning shafts, gears and wheels...

where friction tries to thief at power and leave its scar of wear... where only the fit survive. Here Hyatts serve. Let Hyatts make light of heavy going for you, too, in your mechanical equipment. Hyatt Bearings Division, General Motors Sales Corporation, Harrison, N. J., Chicago, Pittsburgh, Detroit and San Francisco.



# HYATT

## Roller Bearings

## new portable electric 'Budgit' hoists



### Save loss of time from injuries!

Save strains, sickness, ruptures—difficult loads can be lifted quickly and without effort with Budgit Hoists! Just plug them in and USE! They work from lampsockets! Easily portable, the largest weighs only 92 lbs. Four sizes in all lift loads 10 ft., leave an arm free to guide the load, speed up work without speeding the worker! Prices f.o.b. are the lowest ever offered for power hoists. And Budgit Hoists have all safety features, unqualifiedly guaranteed!

250 lb., \$119—500 lb., \$124  
1000 lb., \$144—2000 lb., \$164

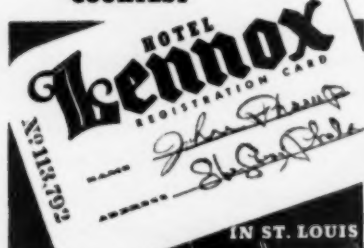
Send for FREE catalog and FREE Time Savings Calculator showing savings...

**SHAW-BOX CRANE & HOIST DIV.**  
Manning, Maxwell & Moore, Inc.  
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Makers of all types and sizes of electric cranes and hoists for more than half a century.

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COMFORT  
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— Established 20 Years —  
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Richfield Bldg. Los Angeles, California

## MARKETING

### Postpone New Food, Drug Labels

**Manufacturers win amendment to Food and Drug Law extending effective date of labeling provisions for six months, with another six available on request.**

WITH THE ENFORCEMENT DATE for the new Food, Drug, and Cosmetics Act little more than a month off, manufacturers last week won a year's reprieve from most of the important labeling provisions. Improving on the House draft of the amendment, which would have extended enforcement of these sections from June 25 to Jan. 1, 1940, the Senate stipulated that an additional six months' grace should be granted those manufacturers who filed an affidavit with the Secretary of Agriculture stating that compliance would "be unduly burdensome" on Jan. 1, 1940, and that the public interest was "being adequately served." The measure went to conference with the expectation that there would be no difficulty in getting House members to agree to the more liberal Senate proposal.

#### Motivating Extension Move

Heavy pressure to secure an extension was brought to bear on Congress during the past few months, for many manufacturers still had large stocks of goods in hand that would have had to be relabeled before they could be shipped in interstate commerce. Others claimed they had been unable to obtain new labels which would conform to the law, because lithographers and printers were swamped with other labeling orders. Assurances from Secretary of Agriculture Wallace that the new provisions would be enforced leniently were not regarded as affording adequate protection.

The labeling provisions which have been postponed would require food manufacturers to declare on labels (1) the name of packer or distributor, (2) the standard name of the product, or, if it is a distinctive name like Miracle Whip, Ovaltine, or Postum, the name and proportion of each ingredient, (3) artificial flavoring or coloring, (4) failure to measure up to standards of quality and fill-of-container, and (5) vitamin and mineral content if it is a special dietary food. Cosmetic manufacturers gained a time extension, equal to the above, on those labeling provisions which would require statement of packer's or distributor's name and the quantity. They also won an extension to Jan. 1—but no more than that—on the requirement that they use coal-tar colors only from batches

certified as harmless by the Secretary of Agriculture.

There are seven provisions in the law affecting labeling, but drug manufacturers won an extension to Jan. 1, renewable for six months after that, on only three—those that would require declaration of (1) name and quantity, (2) the common name of the drug or, in the case of a proprietary product, the name and quantity of each active ingredient, and (3) the presence of any of seventeen habit-forming drugs, together with a notice, "Warning—May be habit-forming."

Of course, in the case of drugs and cosmetics, those provisions which render a product subject to seizure if it is dangerous to health when used as suggested in the labeling remain in full force. These two sections, together with a third requiring official approval of all new drug products, have been in effect since the day the law was signed, June 25, 1938. It has been under these sections that the Food & Drug Administration has made its seizures of Bromo-Seltzer, Lash-Lure, Marmola, and other products for which the bureau was gunning in its campaign for the new law.

#### They Have Some Consolation

Food and drug officials make no bones about their disappointment over the extension, but they have found some balm in Gilead. As one cryptic critic put it: "We'll at least get a complete list of all the food, drug, and cosmetic manufacturers as a result of that Senate amendment granting an extra six months' grace simply on presentation of an affidavit."

The bureau has found more substantial balm in the defeat last month of the so-called "asthma amendment," which was steered through committee and onto the floor of the House by a one-company lobbying campaign on behalf of "Dr. Nathan Tucker's Asthma Specific." Despite some Congressmen's testimony to the efficacy of the medicine, Drs. W. B. and G. B. Robinson, present owners of the product, lost their fight to win an exemption from the formula-disclosure requirement of the law by a House vote of 234-118. The proposed amendment was worded in such a way as to apply almost exclusively to the Nathan Tucker company.



## Field's Buys Its Site

Store pays \$15,000,000 to Marshall Field estate for 1¼ blocks in Chicago.

BIGGEST REAL ESTATE transaction that Chicago has seen for many years came last week when Marshall Field & Co. concluded negotiations for purchasing—and financing—the land under its State Street department store and its Wabash Avenue Annex which houses its "The Store for Men" and a dozen office-building floors full of doctors, dentists, and related tenants. For this 1¼ square block tract in the choicest retail section of the Loop, the firm is paying \$15,000,000 to the Estate of Marshall Field, and giving a mortgage for this amount on land and buildings to Metropolitan Life Insurance Co., which put up the cash.

### Out from under 1924 Lease

If the price of \$98.06 per sq. ft. looks high, the deal still looks like a money-maker to Field executives. It gets the corporation out from under a step-rate flat-rental lease executed in 1924. The lease provided for cash rental of \$900,000 a year to 1937, \$950,000 to 1944, then upward by steps of \$50,000 a year every twenty years, ending in a top of \$1,150,000 annually from the year 2004 through 2023.

But since 1924 times have changed. A fixed rental lease for a retail store has repeatedly been proved first cousin to a stock-market margin account, in years like 1932 practically doubling the percentage of the sales dollar that went to the landlord.

The Field situation was by no means unique on State Street. You can walk a few hundred feet along either side of the street between Randolph and Adams and encounter plentiful examples of big stores with long-term leases made in more light-hearted days and now obligated for large rentals to the Young, Mandel, and Lehmann Estates and Mrs. J. Ogden Armour. Estate trustees are rarely inclined to give up a sure thing for the problematical return of a sales-percentage lease unless reorganization or other acute pressure can induce a court to take a hand and release them from the full legal responsibility.

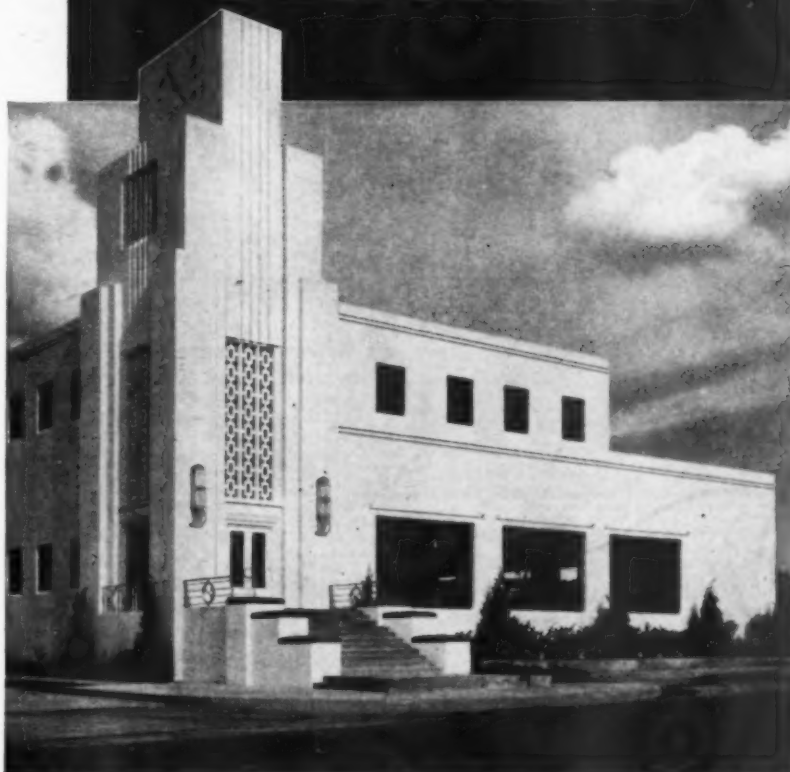
### Field's and State Street

Field executives frankly hope that their purchase will stabilize State Street values and maintain the street as the city's shopping center. They would not say so in public, but admit to friends it would not hurt their feelings if the other big stores could use the Field deal as an effective argument to their own landlords either to reduce rentals or to negotiate similarly favorable transfers of fee. Owning their real estate, Field's would stand to lose most if there ever should

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and low in upkeep...

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**B**UILD with concrete and your building can have distinctive beauty along with business-like utility. There is no financial penalty. Costs remain low because concrete combines both structural and architectural functions. Frame, walls, floors and decorative detail are cast as a unit in *one* thrifty material.

**FIRESAFE AND STORM-PROOF** Concrete's rugged strength assures long life with minimum upkeep. Its wide adaptability and variety of surface textures give your architect full freedom in creating a satisfying design. Ask him how

concrete may be used efficiently and economically for the store, office, factory or warehouse you are planning.

Write for the booklet, "*The NEW Beauty in Walls of Architectural Concrete*" (free in the United States and Canada), or ask for one of our engineers to call.

• The new Architectural Concrete plant of Dr. Pepper Bottling Company, Fort Worth, Texas. Designed by H. H. Crane and R. L. Hunter, architects. Thomas S. Byrne, Inc., contractor.

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Dept. 56-12, 33 W. Grand Ave., Chicago, Ill.

A national organization to improve and extend the uses of concrete—through scientific research and engineering field work.

*Architectural Concrete*

ARCHITECTURAL AND STRUCTURAL FUNCTIONS  
COMBINED IN ONE FIRESAFE, ENDURING MATERIAL

## Busy Corner



The corner of State and Randolph Streets in Chicago was making real estate headlines this week. On one side of the street Marshall Field & Co. (right, above), in one of Chicago's biggest real estate transactions, bought the land under its store from the Field estate for \$15,000,000. Across the way, one of the largest office-building wrecking jobs of all time was in progress as workmen ripped down the 22-story Capitol building (left, above); Chicago's old Masonic Temple, and its first sky-scraper, built in 1890-92 at a cost of \$2,000,000 and proudly proclaimed as the first structure in the world with an all-steel skeleton work.

develop a concerted move of other big stores to some other location such as Michigan Avenue. Field's wants no vacant stores on State Street. On the other hand, if ever State Street should lose its retail preeminence, a salable property might well prove less of a burden than an unsalable long-term lease.

Under the terms of the twenty-year mortgage negotiated in the Field land deal, the buyer agrees to pay into a sinking fund annually about the difference between the 3.6% interest it pays and the rental it would have paid to the

Field Estate. The saving makes the loan self-liquidating. When the bond issue on the Merchandise Mart (owned by Field's) is retired in 1955, semi-annual payments on the Loop mortgage climb from \$275,000 to \$800,000.

Metropolitan Life gets another substantial chunk of money out at an interest rate acceptable in today's market. It gets as security land worth at least 20% more than the original face of the mortgage, with another 80% of security in the buildings on the land. Having thus tasted blood, the Metropolitan and other large institutional investors would surprise nobody by going out to stir up similar large deals—not only on State Street but also on other major retail arteries of major U. S. towns where there's discontent about heavy rentals and where the purchase sum involved would be worth the promotional time and effort.

## Scotching the Irish

**Supreme Court to decide on label of Scotch malt blended with Irish grain.**

WASHINGTON (Business Week Bureau)—Both the Scotch and the Irish agree on one thing—that whisky was first produced in either Scotland or Ireland; but they disagree spiritedly as to whether Scotland or Ireland deserves the credit—or blame. The Scotch contend that whisky is Scotch, and vice versa. The Irish dissent. What a blend of Scotch and Irish whiskies may be is being threshed out in both the American and British courts. Our Supreme Court is now considering five cases of "Sandy Ross Blended Scotch Whisky" which the Federal Alcohol Administration contends is not "Blended Scotch Whisky," since it is a mixture of 50% Scotch and 50% Irish whisky—but the distiller retorts that the Irish is only neutral spirits.

### FAA Points to British Practice

To support its claim that custom and usage—in the British Empire—make this combination "Scotch Whisky," Wm. Jameson and Co., Inc., owner of the five cases held up by customs upon advice of the FAA, produced affidavits from several small British distillers who have been selling such a mixture on the British market for years as "Scotch Whisky." Whereupon, the Crown prosecuted these small distillers under the provisions of Britain's Merchandise Marks Act—similar to our Federal Trade Commission Act—prohibiting "deceptive" practices. First decision in the British suit was that a Scotch-Irish blend labeled "Scotch" was deceptive, a decision which is now on appeal to the highest British court (BW—Feb 25 '39, p24).

The FAA holds that British practice

should determine the American designation. Since 1936 the FAA has required official certificates of origin, stating type and age for imports. Prior to that time, some whisky compounded of Scotch malt whiskies and Irish grain whiskies were admitted as "Blended Scotch Whisky." Since then such whiskies, including the five cases at issue, are designated on the certificate of origin as part Scotch whisky and part Irish whisky; and FAA requires them to be labeled accordingly.

Former Attorney General William D. Mitchell contended for Wm. Jameson & Co. that the Irish grain whisky blended with Scotch malt whisky to form "Blended Scotch Whisky" is in reality neutral spirits (virtually pure alcohol, distilled above 190° proof) and that the only thing distinguishing Scotch from Irish grain whisky is the Irish Channel. In this FAA Counsel Phillip E. Buck concurred, although both Scotch and Irish grain whisky would seem to be "whisky" in the sense of the FAA regulations, and not "neutral spirits," since they are not only distilled somewhat below 190° proof but they are also aged for at least three years.

## Consumer Facts

**Sales managers get government handbook analyzing customers in 3,000 counties.**

IF A SALES MANAGER had an Alladin's lamp, his first wish would be for more detailed information about potential consumers of his product. This week the Department of Commerce assumed the rôle of genii by producing for the first time in three years a 464-page consumer survey of the United States. Known as the Consumer Market Data Handbook, it contains statistics on population and dwellings, business turnover, employment, purchasing power, and retail outlets for more than 3,000 counties in the nation. Similar analysis is included for every city of more than 2,500 population.

To secure the data, users of business statistics were sent a check list of 133 items. Complete information on the most important 82, ranging from community reading habits to the number of electric meters, was included.

### Another Handbook Coming

Tabulation of a companion survey of the market for industrial products was completed last January, but lack of funds has held up publication. Deluged by appeals that money be found, the Department of Commerce announced it would be ready for distribution July 1. Its 1,000 pages will cover industrial production, value of products, employment, and cost of fuel and power. Special tables tell where 169,111 manufacturing concerns are operating, and locate 23,000 mining units.

## Radio's Layoff Plans

**CBS and NBC will let advertisers take vacations from the air in summer.**

EARLY IN MARCH, Columbia Broadcasting System announced what it called a "summer hiatus policy." Purpose of the plan was twofold: to woo those customers who insist on summer layoffs by allowing them a hiatus of four to eight weeks, depending on the number of stations used for the programs; and to cut the summer slump by allowing extra discounts for 52 weeks of consecutive broadcasting.

Last week, when Columbia announced its April billings at \$2,854,026—up 17.7% over a year ago and the best April in the network's history—advertising men were ready to believe the new hiatus policy had begun to bear fruit as a network selling point. And they weren't surprised when National Broadcasting Co. announced a summer "interval plan."

Under its plan, NBC guarantees to hold a spot for an advertiser for four to eight weeks, provided the account agrees to pay 28% of regular cost of the time. Thus for the first time, NBC will seek to collect for time not actually used.

Taken together, the two layoff plans seem certain to act as an aspirin tablet on radio's major headache, the annual summer slump. Booming sales of auto and portable radios, which boost hot-weather listening, will make clients the easier to keep on the air.

### Networks' April Figures

As between the two networks, NBC had the better of it this year, until the April figures were released. Month by month, NBC has run substantially ahead of 1938 and for the first quarter shows a gross of \$15,514,000—up 7.69%. Columbia, on the contrary, lagged behind 1938 through the first three months. Then the record April brought the quarter's income to \$10,995,309—off just a fraction of 1%. Amos 'n Andy, who switched to CBS April 3, played a big part in reversing Columbia's sales curve.

Despite the encouraging trends, it's too early to call the turn on the layoff plans. But, as a further indication of what they may do for summer radio, Columbia says that within the last 30 days it has signed 14 new contracts and five renewals, for a total of \$6,313,829 worth of business. In addition to its hiatus policy, CBS has been selling hard on the fact that in 1938 the Federal Communications Commission granted power increases to eight Columbia stations.

Meantime, Mutual Broadcasting System has announced no layoff plan, and its growth through youth is such that it may not need to. Last month, Mutual was 38.6% ahead of April, 1938, with billings of \$262,626.



The letterhead of Philco Radio and Television Corp. is printed on Strathmore Bond

## does YOUR LETTERHEAD present a PICTURE of YOUR BUSINESS?

Sight added to sound. Pictures on the air. Television here! Day by day the PHILCO RADIO & TELEVISION CORP. have pioneered toward the perfection of this new medium. And every day they present a favorable picture of that forward-looking business...on STRATHMORE letterheads.

Your letterhead brings to your correspondents a picture of your firm. An impression formed by the paper you choose. Is it the right impression...and if not, how can you make it so?

When you write a letter on STRATHMORE BOND, it costs less than 1% more than the same letter written on the cheapest paper you might buy. And on STRATHMORE PARCHMENT, as fine a paper as can be made, it costs only 2.9% more. Such plus value, for so little cost difference, is sound business economy.

\* \* \*

THE STRATHMORE BUSINESS PERSONALITY CHECK LIST shows all the ways in which a business is seen and judged by its public, gives all the appearance factors important to your business. Write on your business letterhead for this check list. Dept. BW3, STRATHMORE PAPER COMPANY, WEST SPRINGFIELD, MASSACHUSETTS.

# STRATHMORE

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OF FINE  
PAPERS



## IBM Glorifies Sales Convention

**Meeting of International Business Machines' Hundred Percent Club at New York World's Fair shows what can be done to put conventions on a new plane.**

THE "ANNUAL SALES CONVENTION" of big companies usually follows a familiar pattern. Executives beat the tom-toms for "the new sales drive." Minor functionaries call through gritted teeth for teamwork in hitting the line for dear old Blank & Co. Men go back to their territories bursting with high-pressure sales injections—and with the impression that it will be just too bad if they don't make the grade of sales-increase as set.

The 1939 convention of International Business Machines Corp., held last week at the New York World's Fair, is an example of what can be done with such gatherings by sheer showmanship. Theme of the gathering was world peace through international trade; fine music (rather than highballs) furnished the spiritual uplift; the annual crop of IBM sales aristocrats were dignified with honors. And the publicity—which the company was smart enough to have in mind all the time—was immense.

Those who attended constituted the Hundred Percent Club of 1938. Members of the club are salesmen who sold 100% of their quotas or more. About 25% of IBM sales volume comes from foreign countries. Since sales leaders from distant lands must be brought to New York headquarters, membership among the elect becomes the driving ambition of the far-flung organization. And the complicated business of gathering the winners in New York becomes an annual headquarters problem.

### Started by President Watson

The Hundred Percent Club was started by Thomas J. Watson, president of IBM, in 1924. All U. S. and Canada salesmen who make the required credits are invited to the convention. In addition to sales figures, invitations to foreign salesmen take into consideration the promise, previous record and deserts of individuals. Because of the World's Fair, Mr. Watson's concern over war threats, and an unusual 1938 sales record, this year's attendance rose to 2,200, or 600 more than the year before.

Ordinarily the company pays the traveling and hotel expenses of the lucky hundred percenter who must put up for any family members he brings along. But it is understood that rules were liberally stretched this year.

The longest trip was made by Pierre Desouches, IBM salesman for French Indo-China. M. Desouches attracted attention at the hotel by arriving with sev-

eral little Desouches and their Annamite nurse. They traveled some 12,000 miles (about half-way 'round the earth) to reach the Fair Grounds. Here M. Desouches was greatly pleased to meet Mr. M. G. Bastianello, another hundred percenter. Mr. Bastianello traveled just one mile to the Fair Grounds—from his home in Flushing.

### Californian Wins Honor

At the sessions of the club were salesmen from 24 foreign countries: Argentina, Belgium, Brazil, Canada, Chile, Colombia, Cuba, Denmark, England, France, Hawaii, Indo-China, Italy, Japan, Mexico, Netherlands, Norway, Peru, Portugal, Puerto Rico, Rumania, Sweden, Switzerland, Turkey. The high man on sales for the year becomes president for that term of the Hundred Percent Club. This honor has gone to foreign offices (notably on the occasions when it was won by Valentim F. Boucas and Almeida Gomes of IBM's Brazilian organization). But this year it stayed home.

The current winner and club president is John W. Abegglen, Electric Accounting Machine salesman of Oakland, Calif. Mr. Abegglen's sales score was 480% of quota. He also was awarded a year's possession of the Watson World Trophy.

This is a bronze male figure symbolizing "Thought" (appropriate reminder of Mr. Watson's slogan "Think," found in every IBM office). It will remain for a year in the Oakland office to be admired by employees of that territory and envied by the less fortunate. In addition to the above honors, Mr. Abegglen gets a \$100 check, as do the other hundred percenters.

It is significant that the club and other convention activities were held in the Fair's Hall of Music. Melody played an important part in the festivities. Tuesday night the hundred percenters were company guests at a performance of "Lohengrin" at the Metropolitan Opera. On Thursday, IBM Day at the Fair, an important place on the program was given to a symphony concert by the Philadelphia Orchestra, Eugene Ormandy conducting. Two numbers were the "IBM Symphony" and the "IBM Anthem," both composed for the company by Vittorio Giannini. These works are remarkable examples of the employment of art to further a company ideal and furbish a company show.

### For Prosperity and Uplift

The IBM Symphony symbolizes the world's unrest by trumpets sounding the call to arms. Its allegro reaches a climax gradually softening to express mankind's weariness. The second movement "uses the first six bars of the IBM song 'Ever Onward,' thus identifying the spirit of IBM with the world movement for international understanding." The allegro describes renewed industrial activity, the international efforts for prosperity and human uplift; a "joyous, triumphant tone" accompanies the increasing rhythms of industry and finally



S. M. Hastings, director of International Business Machines Corp., looks on as President Thos. J. Watson presents the Watson World

Trophy to John W. Abegglen, president of the 1938 IBM Hundred Percent Club. The trophy is in the foreground.

the orchestra "repeats 'Ever Onward' . . . in its entirety."

Similar motifs were heard in meetings of the Hundred Percent Club in the Music Hall. Mr. Watson is president of the International Chamber of Commerce and an executive of numerous peace organizations. In speaking to his foreign salesmen he emphasized the opportunity each had to become a proponent of peace and friendly international trade. There was more of this theme than of sales techniques and competitive moves in the discussions.

#### Salesmen Study New Machines

Climax of the club events was the annual banquet at the Waldorf-Astoria. Here Mr. Watson was presented with a portrait of himself donated by IBM's 11,000 employees. It will hang in the employees' club rooms at the company's World Headquarters Building, New York. Mr. Watson also was inducted into the IBM's Quarter-Century Club (which he created) to commemorate his 25 years service with the company. Next day the foreign salesmen were taken to the main plant at Endicott, N. Y., to study new machines, experiments, installations.

The big party is over and gone. Hundred Percenters from far places are making their way back to their posts. They carry with them ideas and ideals received from talks with distant foreign executives, company officials, and American leaders in many lines who addressed their gatherings. And if they haven't also absorbed a lesson in sales showmanship, they aren't Hundred Percenters.

### MARKETING ANGLES

#### FTC Picks a "Voluntary"

THE BIG VOLUNTARY GROUPS in the grocery field—those amalgamations of wholesale houses with retail customers attached—have long worried about which one of them the Federal Trade Commission would pick on to test the legality of the brokerage commissions which they have continued to collect despite the Robinson-Patman law. This week the voluntaries got their answer; the chosen one is giant Red & White, with headquarters in Chicago. The FTC complaint, handed down this week, says that Modern Marketing Service, acting as agent for Red & White, illegally passed on its brokerage fees.

#### Plumbers Fight Rivals

WHEN THE National Supply Association of America, Inc., claimed an annual business of \$65,000,000 in its New York City convention last week, it stirred up a lot of noise among plumbers. Ever since the ancient times of wooden sinks, a plumber has found difficulty in mak-

## GOOD BUSINESS NEWS

Open Account Financing  
Scores Double Success

Slow-pay Customer Takes Tip  
From Creditor--Business  
and Credit Now A1

**T**O put reverse English on the old proverb, "one man's meat can be nourishing diet for the other fellow, too."

The Brown Corporation\* was a regular user of our service.

It gave their company money-power far in excess of what its regular connections had provided. Brown had been selling considerable merchandise to Black & Company,\* getting cash advances on shipment from us and clearing them off the slate as Black's checks came in. But gradually, Black began taking longer time to pay.

Since he had long been a good customer of Brown's, we frequently permitted an extension of time, but advised a frank talk to see where things were heading. They quickly found the reason. His regular bank credit wasn't enough to finance the volume of sales Black needed. His working capital was continually frozen in receivables. First he had to pass up discounts on his payables. Next, he was passing due dates.

Brown explained our service . . . told how it was helping him. He urged Black to consult us. We were called in. We negotiated an arrangement, effective immediately . . . without red tape or delay.

Then Black's business curve started up again. In little more than a year, Dun had improved his credit rating to A1. By the end of 1938, his net worth was nearly \$200,000 greater, a healthy increase of nearly 30%.

★ ★ ★ ★

Which would be better for your business—a borrowing capacity set by routine consideration of your capital investment and an audit of your present condition? Or, a flexible financing system that looks ahead and provides liquid cash for financing new sales as fast as you can make them? Write "Dept.BW" for our free booklet "CAPITAL AT WORK".

\*A fictitious name, but the facts and figures, taken from our records, can be certified.

## COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$65,000,000



### PORTRAIT OF LIABILITY

Liability lies around like a loose stick of dynamite . . . on a stairway, a sidewalk, elevator shaft, perhaps a building job. It comes to life—*explodes!*—when an accident happens, injury or damage is done and somebody has to pay judgment rendered by the court to satisfy claims.

Anyone inheriting property at birth is born with liability. A buyer of property acquires it. Contractors have it

thrust upon them by doing work for owners. All—and their agents or representatives—are by law responsible for injury or damage to others caused on their property.

When an agent of American Surety or New York Casualty Company solicits liability insurance, he offers to have his company take the risk of loss—bear the brunt of the blast.

PREVENT-  
DO NOT  
LAMENT  
LOSS!

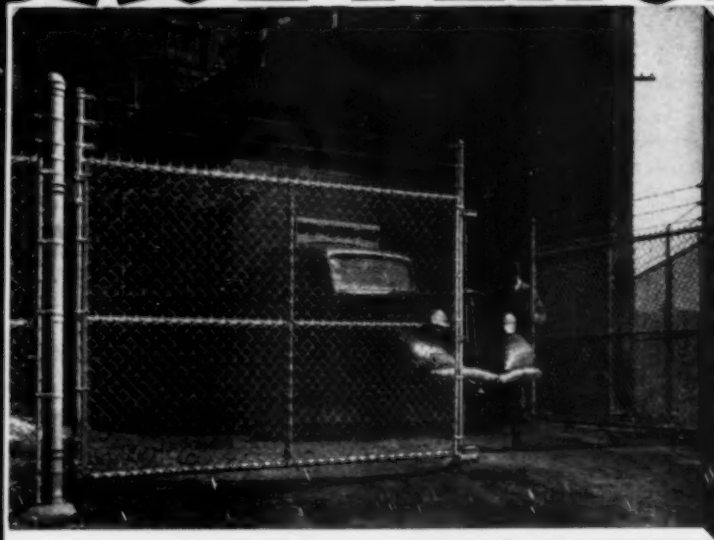
**AMERICAN SURETY  
COMPANY  
NEW YORK CASUALTY  
COMPANY**

HOME OFFICES: NEW YORK

Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

## PAGE FENCE

Product of Page Steel & Wire Division, American Chain & Cable Company, Inc.



### NOT EVERYONE NEEDS AN ALUMINUM FENCE

But Page not only has an aluminum fence if you do need it, but offers chain link fence in four other superior metals—whichever is best suited to your local atmospheric conditions. That's just one of many reasons why PAGE FENCE is more than a product—it is a complete fence

service. You can rely on 56 years of fence service available through any one of our 92 Association Members who is near to you to render skilled, courteous service. Secure his name and free, illustrated and informative literature—write PAGE FENCE ASSOCIATION, Bridgeport, Conn.

ing a living through the sale of his labor alone. To increase his income he has tried to control the sale of fixtures as well. Other retailers entered the field a decade ago with the idea of selling directly to the consumer, and letting him install the purchase as best he could. Wholesalers and master plumbers assert that this practice results in bad sanitation, and they are attempting to get legislation against it in some states. And they deny that these retailers handle more than \$10,000,000 annual business anyway.

### Carservice

A MONTH AGO Carservice, Inc., of Long Island City, N. Y., went into business with the idea that many New Yorkers would like to have a car to use regularly, but shun the bother of servicing, insurance, maintenance, and garage. Three garages started the service and by this week there were eight. For a price which varies according to the needs of each customer, Carservice supplies the automobile and takes care of it, too. Most of the deals to date have involved buying the prospect's car, and crediting his account with the agreed price. Main difficulty has been the demand for too high an allowance.

### War Over Billboards

AT PRESENT, outdoor advertising interests are going through one of the periodic heat waves in their struggle with nature lovers. This week an attempt by the Outdoor Advertising Association to disprove two *Reader's Digest* articles, "The Billboards Must Go," was attacked sharply by the National Roadside Council. O.A.A. has admitted its willingness to submit to non-discriminatory zoning and has denied that billboards increase accidents. National Roadside Council thundered that the essence of zoning was discrimination in that it restricted the area of advertising. Moreover, it pointed to a Massachusetts Supreme Court decision that billboards were a menace to human life. O.A.A., it said, was guilty of typical "billboard propaganda."

### 25¢ for TNEC Book

COPIES OF THE HEARINGS before the Temporary National Economic Committee now will be available, as issued, for public distribution. Part 1 of the Investigation of Concentration of Economic Power, consisting of the Economic Prologue, 252 pages including table of contents and index, is off the press at the Government Printing Office and may be obtained for 25¢ from the Superintendent of Documents, Washington, D. C. TNEC, Apex Building, should be advised immediately by those who desire any considerable number of copies. The committee has a limited number for free distribution, preferably among libraries, colleges, and other organizations representing wide coverage.



# MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

## Stocks Blow Hot and Cold

**But commodity prices improve, suggesting that business is on a hand-to-mouth basis. Sixteen insurance companies take big utility refunding.**

BUSINESS NEWS THIS WEEK was neither here nor there, and stocks were pretty much the same way. Commodities, however, showed a bit of life, continuing the forward march of the last fortnight. The squeeze in spot and May cotton helped lift the commodity price averages, but the movement to higher levels was pretty general, anyway.

Wheat, which was strong early in the week, was affected by the government crop report, showing a smaller deterioration than private reporters estimated. Kennecott, surprisingly, pulled the copper plug  $\frac{3}{4}$ ¢ to 10¢, whereupon a buying spurt quickly developed. This level was just about what the market needed. London reported higher volume at higher prices, and, with domestic prices only a shade above British quotations, buyers here got the courage of their wants—and bought. Lead and zinc sales continued in good volume, with tin buying moderate.

All in all, the improvement in commodity price levels carries the suggestion that business is operating pretty much on a hand-to-mouth basis, and that cur-

rent buying is sufficient to sustain current levels of business activity. The coal strike hasn't helped carloadings, but roads in the Midwest have picked up some business, which only goes to prove that a tie-up, unless it is complete, merely serves to shift business to competitors.

### A Technical Reaction

The stock market shows no consistency—hot one day and cold the next. Since April 8, when the Italian invasion of Albania sent shares down to the year's low levels, there has been a gradual rise of 12% in the general average; but the advance seems primarily a technical reaction, rather than a turn in the trend. Recent talk that there would be alterations in capital gains taxes sent stocks on a mild celebration, but now, not too much is expected. And the temporary letdown in European tension is not regarded as the "real thing."

The success of the French refunding loan, at a rate of not much above 5%, indicated that the credit of France has considerably improved—due partly to Dala-

dier's régime and partly to the firmer front adopted by the Franco-British alliance.

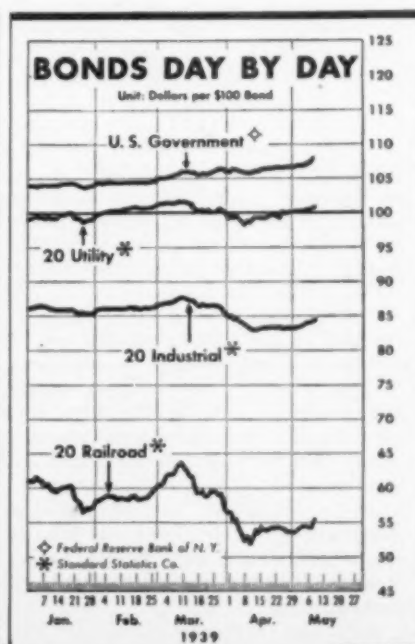
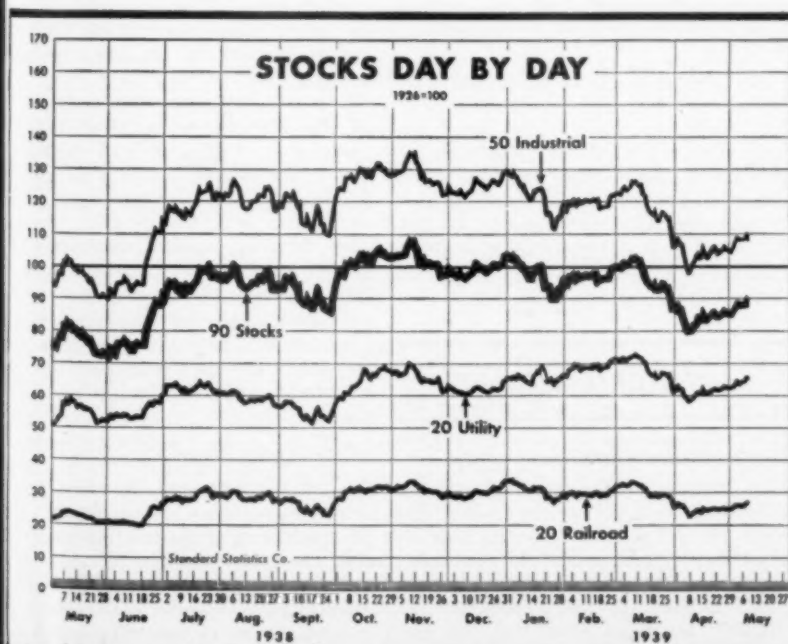
Dutch guilders were likewise strikingly strong, suggesting that the western powers are not expecting war to "happen" in the near future. None the less, the rhetorical announcement that Britons this summer would sleep on their haversacks is anything but reassuring to a stock market that above all things demands to be reassured.

In the bond market there was a significant doing. Commonwealth Edison Co., through Halsey, Stuart & Co., arranged a \$115,000,000 refunding deal with a group of 16 life insurance companies. The bonds mature in 40 years, carry a  $3\frac{1}{4}$ % coupon, are to "go" at 102.

The sale is the largest privately placed issue yet to hit the market, superseding the \$75,000,000 Socony-Vacuum deal in 1937, indicating that the trend away from street underwritings to private placement has not been checked. Incidentally, the Commonwealth Edison new issue is to redeem 3½s sold in 1935 and 4s sold in 1931, both of which at the time of original sale came under the head of "low interest" bonds. Now, however, the Chicago utility takes advantage of the scarcity of high-grade bonds and consequent low interest rates to refunding.

### Refunding Stressed

Though current money markets are an inducement to borrow, most conversations in banking circles are running toward refunding, rather than new capital issues. Business enterprises are not anxious to commit themselves to long-term debt under present uncertainties both here and abroad. At current levels of operation, new plant is not required;



## A Complicated Affair



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THIS WEEK, Robert R. Young, the New York stock broker who two years ago bought control of the Van Sweringen rail empire from George A. Ball, 76-year-old Mason jar manufacturer of Muncie, Ind., for \$4,000,000 and a \$2,375,000 note, was in a unique position. He lost control of the company's stock, but held on to management control of the company itself. Mr. Ball, on the other hand, was in an equally unique position. He had repossessed most of his stock, but had no real power in the management.

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Young does not yet have control of the empire's most valuable asset: the Chesapeake and Ohio Railway. Although the Guaranty Trust Co. has resigned its key position as trustee for two Alleghany debentures (*BW—Mar25'39,p.57*), directors friendly to the bank still control the C. & O. board.

Thus, the Alleghany affair is no less complicated than before. Mr. Ball has back part of his original stock—1,200,000 shares, or 27% of the 4,500,000 shares of Alleghany common outstanding. Mr. Young has around 800,000 shares and management control of Alleghany. But neither Mr. Ball nor Mr. Young runs the C.&O.

Mr. Young has pending a \$5,000,000 suit against Mr. Ball, charging he was "led" to pay too much for his Alleghany stock. One way of settling would be for Young and Ball to make a dickering on the stock Ball now owns—for Young to buy it back. But whatever happens, neither Ball nor Young will really have anything until Alleghany common regains control of the C.&O. board.

### FINANCIAL ANGLES

#### More McKesson

THE MCKESSON & ROBBINS affair rolls on. Official accountants for the trustee this week brought forth a tentative balance sheet showing that assets were overstated by \$20,000,000, instead of the original quick estimate of the management of \$18,000,000. Right after that, as predicted (*BW—Apr29'39,pp.24,29*), audit-

ors got together on resolutions to stiffen up and standardize their methods. The American Institute of Accountants, in collaboration with New York State Society of Certified Public Accountants and other state groups, brought forth resolutions calling for (1) test checks of inventories whenever possible; (2) confirmation of accounts receivable by direct communication with debtor, and a specific statement in the certificate when such confirmation is not made; (3) more detailed certification statements.

#### Apathy

MEMBERS OF THE NEW YORK STOCK EXCHANGE have managed to remain calm during formal hearings by an exchange committee on the question of separating brokerage capital into (a) capital used for commission operations, and (b) capital used in underwriting. At the first two hearings, only two members showed up to present their views.

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WITH DECEMBER FUTURES selling nearly 2¢ a lb., or \$10 a bale, less than spot, there is a stalemate in the cotton cloth market. Cloth buyers don't want to pay much more than the equivalent of the December price of around 7.7¢ a lb., while manufacturers hardly see their way clear to making up cloth when they have to pay above 9½¢. Spot commands this premium over futures because of the shortage of current deliveries. The government has sewn up about 11,500,000 bales on loans to farmers, and, to relieve the tight situation, it has been proposed that the government pay farmers a bonus for releasing loan cotton to the trade.

#### B. I. S. Carries On

OVER IN BASLE, SWITZERLAND, this week 60 delegates from central banks all over the world came together at the ninth annual meeting of the Bank of International Settlements. The sessions went off quietly, with general agreement by all that 1938 was a year of international disquietude. A 6% dividend—as usual—was voted. Years ago, a B.I.S. session would have been significant in the world of finance. But today, amid economic and financial discord, the B.I.S. is hardly more than a carryover from the days when war debts were war debts and a central means of clearing them was desirable. Today the bank's business primarily consists of purchases and sales of foreign exchange and gold for central banks.

#### Sine Qua Non

TO BE A SUCCESSFUL investor, a man (or woman) must have judgment. That fairly obvious conclusion was reached by 180 investment counsel in answering a questionnaire on what were the minimum qualifications required by a person who wanted to be an investment counsel—an investment counsel being an investor

who, for a fee, invests other people's money. But when it came to determining just what constituted judgment and how a man could prove that he had judgment and thereby was qualified to advise other people on what to do with their money, the 180 questionnaire-answers were pretty well stumped. Formal education they regarded as helpful, but not absolutely necessary. Character was desirable—but what constitutes character? Experience was important, and so was technical training. But after Rudolf Berle, attorney for the Investment Counsel Association of America, got all the answers, he was still not entirely sure what constituted the perfect, well-equipped investment counsel.

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### Straddle

IDEA BEHIND THE PLAN was to straddle wheat—that is to go both long and short of it at the same price, say, 75. Then if wheat went down, the program was to take the profit on the short side; and when wheat went up again, the next step was to take profit on the long side. The intent was an endless chain of profitable straddles in one point moves. But wheat fell out of bed—unfortunately for the plan. In 48 accounts examined by the Commodity Exchange Administration, cash profits amounted to \$18,000. But paper losses ran to \$45,000. The net was a \$27,000 loss. Commissions ran, incidentally, to nearly \$12,000. Perhaps it was a get-rich scheme for brokers.

### West Coast Note

NOR SO LONG AGO, Dr. Paul P. Gourrich resigned his post as technical adviser to the Securities & Exchange Commission and dropped out of sight, leaving behind him the memory of how in the spring of 1938 he set Wall Street on its high horse by proposing a "radical" government aid-to-industry scheme to speed recovery. The Gourrich plan got to the Presidential desk, but recovery came along and slipped it into the "things to be remembered" file (BW—Jul 16 '38, 312). Now, Dr. Gourrich is at work in Beverly Hills, Calif., pounding out a series of economic essays. Object: to show the world the light.

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and made  
easier  
by these books*

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## BUSINESS ABROAD

### Hitler's Next Blow Awaited

**War orders improve surface conditions in Europe but the public and the markets put a realistic value on the artificial activity.**

HITLER'S ECONOMIC MACHINE, which has fed on swift and bloodless conquest, must continue on this diet or go to pieces. Every minute counts against him. Hence the warning, cabled by BUSINESS WEEK's Foreign Editor from London (page 15), that another blow may be expected by the end of this month. It can fall either in the Danzig zone or in Mussolini's Mediterranean sector.

Industrial speed-up by France and England emphasizes that delay strengthens the democracies. It is estimated that the acceleration of war production undertaken by the Chamberlain government increases at such a rate that by the end of 1939 she will have matched the German tempo.

But an immediate crack-up of Germany's economy should not be expected. Such is her technical skill and so complete the Nazi grip on every phase of national life that the Reich probably can continue her present reckless financial policy without new seizures until the end of the year. Distrust of final Axis triumph is indicated by a shift in the attitude as-

sumed by the Japanese government toward the democracies.

Russia, once insolently ignored, becomes the answer to all prayers.

#### Better Tone in Britain

LONDON (Cable)—Encouraging employment figures are being reflected in a firmer tone on the stock exchange, though turnovers aren't heavy. Interest is mostly in home industrials. Expectation of another good week in traffic caused some buying of railroad securities.

On April 17 British unemployment was 1,644,394, which was 82,535 below the total of March 13. The improvement is especially noticeable in building trades, shipbuilding, engineering industries.

Business' expectations of a minor boom are tempered by realization that activity stems from the armament industries. A further check is the prospect of the government placing a brake of profits traceable to defense requirements. This should not weaken the pace

of recovery but it may prevent spectacular company profits.

Dr. Helmuth Wohlthat, of the German economics ministry, will stop in London on his way to arrange a trade agreement with Spain. Ostensibly he will be a delegate to a whaling conference here but he will also negotiate on the exodus of Jewish refugees. Dr. Wohlthat may attempt to revive the Anglo-German industrial conferences, broken off by Britain when Hitler seized Czechoslovakia. It was he who accomplished the Rumanian-German trade accord. Dr. Wohlthat hopes to ensure German predominance in Spanish markets. Here (as in Rumania) Nazi interests clash with those of Italy.

#### Paris Still Skeptical

PARIS (Cable)—While the Paris bourse refuses to see much cause for encouragement in the new war economy, improvement in the Dutch guilder is worthy of note. In the face of ominous political speeches and continued tension, the guilder has risen steadily, reaching a high of 53.61¢ Tuesday. The advance indicates short interests are covering.

In France, carloadings for the first 16 weeks of 1939 were 4,872,785, against 4,828,143 for the same period of 1938.

It is believed here that Hitler's intentions toward Poland include not merely Danzig but a settlement of all questions affecting the two countries.

#### Berlin Breathing Spell

BERLIN (Cable)—As a relief from the chronic pressure, German business welcomed the past week-end which lacked the customary "Saturday surprise." It was a temporary comfort, since not

### Colonization at Cut-Rates



Three years ago this month Italy officially proclaimed the annexation of Ethiopia. Still hard at work trying to settle the country, Italy has discovered an A-1 aid to Ethiopian colonization in glass beads. In fact one string of gaudy-colored glass beads (cost 3¢) goes



farther towards making a friend of an African native than all the diplomats in Italy. Venice glass factories are turning the beads out by the ton. At the left, above, workers string beads for export; at the right, cases of them are piled up, waiting to be packed and shipped.



even the keenest theorist can suggest how to disentangle the snarl of German-Polish relations.

Official Berlin takes a malicious satisfaction in the removal of Russia's foreign commissar, Litvinov, and in Britain's failure (or delay) in organizing her peace bloc. The possibility of an understanding between Berlin and Moscow is widely discussed by the German public but receives little credence in official circles.

Purpose of the spectacular announcement of the routine Hitler-Mussolini military pact was twofold: (1) to intimidate hesitant countries which have been offered British guarantees; (2) to nail Mussolini to the cross on giving the Reich military support in case of trouble with Poland.

Despite an all-time-high tax revenue of 17,700,000,000 marks for the past fiscal year, compared to the previous year's 14,000,000,000 marks, the Reich's financial situation remains under severe strain. This is indicated by new records in the Reichsbank's note and currency circulation. Completed reorganization of the Reichsbank, and offers for buying in the holdings of foreign shareholders, are expected at the end of this month.

## Canadian "Debt" Bank

**New central institution at Ottawa may scale down mortgages by \$50,000,000.**

OTTAWA (*Business Week Bureau*)—Canada's easy money policy is being carried a long step further in legislation this week to provide a central mortgage bank at Ottawa. This bank is intended to effect a downward adjustment of mortgage indebtedness on a more general scale than that achieved by former federal and provincial measures. The federal government will share equally with mortgage and loan companies the loss involved in writing down mortgage debt on rural and urban property. Admittedly, it will lower the purchasing power of investors but it is expected to stimulate spending among debtors and particularly to promote home ownership.

The new bank, under government control, will be virtually a mortgage rediscount branch of the Bank of Canada. The Federal Minister of Finance will hold \$10,000,000 of stock and the bank will be authorized to issue up to \$200,000,000 of debentures to the public which will bear interest at rates equivalent to those prevailing on long-term, gilt-edged securities. The debentures will be guaranteed by the government. Gov. Graham Towers of the Bank of Canada is to be governor of the new institution and the directorate of the two banks will be largely interlocking. Any lending institution consenting to adjustment of its mortgages on the terms that are laid

down in the legislation will become a member company of the central mortgage bank.

For Constitutional reasons the measure is not compulsory. Where assistance of the bank is obtained, principal, interest and other charges must be scaled down to not more than 80% of the fair appraisal value of the property under mortgage. The new bank will control the interest rate on adjusted mortgages, this rate to be based on the returns of Dominion of Canada long-term bonds. If that rate should be 3%, the mortgage rate would be set at 5%.

### Charges Adjusted to Earnings

Interest arrears of more than two years on old mortgages are to be cancelled. Urban adjustments are limited to mortgages not exceeding \$7,000. The main idea is to adjust mortgage carrying charges to the present earning power of the debtor.

Finance Minister Dunning is earmarking \$200,000,000 of federal funds to establish the bank. It is estimated the aggregate of mortgage writedowns may reach \$50,000,000.

The Ottawa government finally has settled on 70¢ as the guaranteed initial minimum price for wheat in the next crop year, basis No. 1 Northern at Fort William. The minimum, however, will be limited to 5,000 bu. of any farmer's crop.

Seeking to encourage use of the regular commercial trade channels, the government is providing that where the wheat is delivered to pools or other cooperative agencies, growers will be assured initial payment of 60¢. Another innovation in the wheat legislation this year is the extension of the minimum price to eastern Canada; previously it was confined to the prairie provinces.

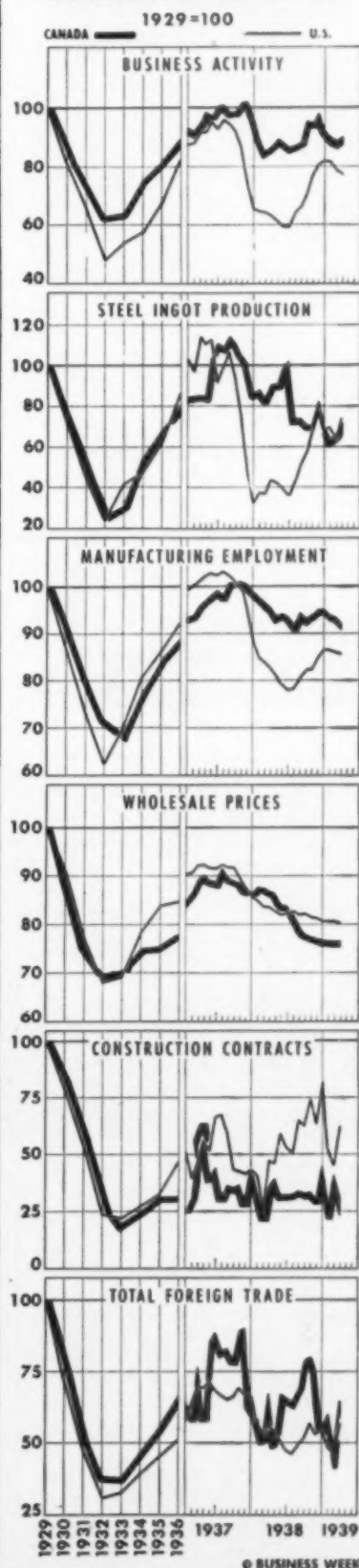
The Ottawa government is floating a new loan this week, \$115,000,000 conversion and \$50,000,000 cash. New three-year bonds will be at the rate of 1½%, priced at 99.375, to yield approximately 1.72, and new 19-year bonds will carry a rate of 3% and be priced at 98.50, to yield 3.10%. Bonds to be converted are due this year.

### Criticize Arms Profit Curb

The 5% profit limitation provision in the government's bill to create an armament purchasing board was denounced in the Senate as likely to discourage Canadian manufacturers from seeking armament orders but was finally passed. The limitation applies to contracts awarded without competition.

Abolition of the 3% excise tax on imports under the intermediate tariff has been followed by substantial reductions in Canadian prices of some American commodities. Automobiles not manufactured in Canada are reduced. Reductions on Packards, for example, run from \$140 to \$425.

## TREND OF BUSINESS CANADA AND U. S.



*Cut initial costs and  
maintenance expense with  
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## Business Week

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## THE TRADING POST

### Blushes

IS OUR FACE RED? David J. M. Gancher, president of the Automatic Adding Machine Manufacturers is responsible. Thus the punctures our ego:

"The saying about the mote in one's own eye is certainly pertinent with regard to your boxed paragraph of BUSINESS WEEK's Jan. 14 issue, entitled 'Error in the Budget.'

"In this paragraph you pique the U. S. Treasury's adding ability in order to boost your own vigilance in detecting such inaccuracies. Unfortunately for you, I have a glaring example in which you yourselves added up a column of figures wrong. On p. 45 of your Aug. 7, 1937 issue, if you will add the column of figures under 'Number of Homes, 1937,' you will find that your total, 95,348 is badly wrong. The correct total is 94,898.

"How did we happen to find this out? Well, to be honest, we were selling a customer one of our little Gem adding machines, and when he asked for a column of figures we just chanced to spot the above column. Our man said to him:

"Now let's try this column and you'll see that the machine will give us the same answer you see printed down here."

"Imagine his consternation when the machine gave a different answer! The customer grimaced and started making one of those well-known moves toward the door, when the salesman thought to try again. Once again he got the same different answer. This time the customer said:

"Maybe the paper is wrong! Let's add it up."

"And so we did. And we found the machine was right and you were wrong. But that mistake of yours sold a \$9.95 Gem for us, and so we ask—can we depend on your cooperating with us in the future?"

Now that sounds pretty bad for our Department of Addition and Subtraction. So we ransacked the archives for the work-sheets on that tabulation for the issue of Aug. 7, 1937. Because, aside from the error, there was involved a little matter of commission due to someone on that sale. But alas, no one on BUSINESS WEEK's editorial, economic or statistical staffs can claim it. Unlike the Treasury Department error, which really was bad addition, this bust was on the printer. The figures were written and added correctly, but in setting them in type, two figures in one of the added numbers were transposed. Hence the total, while correct, did not agree with the column of figures above it.

So often the printer must serve as scapegoat for the editors' errors, that in this case it is only fair to yield him full

credit for any commission due and collectible on this sale, for which he was responsible.

And thanks to Mr. Gancher, for his report. And, by the way, it still looks as though the Treasury Department might be able to use one of his keen little machines.

### "Katy Kornettes"

BUSINESS WEEK makes no pretension to crusading. We have no hobbies, no "sacred cows." Or rather we have only one hobby—and that's to print every week the best report and appraisal of the week's business news that the business man can find anywhere. That's our job, and we try to stick to it. To us it seems a mighty worthwhile and important one.

So now and then we get a special kick out of the day's work, when we find that in doing our own job we have contrived a bit of crusading on the side. It's good to find that the mere honest reporting of what's wrong with the world can bring about its correction. And without any name-calling either.

Like those "Katy Kornettes" for example.

A couple of months ago I reported on this page that those delectable dainties, so long a feature of the menu on the Katy diners, were no more. They had become a casualty of the business recession. Just had to be taken right off the payroll, so the waiters explained. It was bad news, but I just reported it, without comment.

And now comes a letter from Mr. Snyder, the Katy Gen. Eastern Pass. Agent:

"It gives me great pleasure to inform you that the officials of our company have heeded your 'distress signal' as shown on page 55 of BUSINESS WEEK of Feb. 25. On the strength of that appeal, you will now find 'Katy Kornettes' on Katy dining cars when you again make a trip to Texas.

"Your item was read with great interest, as are all other articles which appear in BUSINESS WEEK. We rank your publication among the finest as a perfect concise resume of business. [Thank you so kindly, Mr. Snyder.]

"We realize the 'Kornettes' were among those tasty niceties found only on the Missouri-Kansas-Texas Lines, so it was decided to continue them, along with many other unusual services and appointments, to keep the 'Texas Special' among America's finest and most luxurious trains. . . . When you again make the trip, we hope your partaking of the 'Katy Kornettes' will make you feel at home again."

W.T.C.

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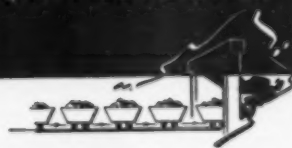
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# BUSINESS WEEK

*The Journal of Business News and Interpretation*

May 13, 1939

## "Conscription of Wealth"

THE COUNTRY NOW has a foretaste of what war would mean—besides a draft on the lives of its young men—in the Lee Bill calling for a draft on its private capital at the outbreak of war. This measure offers ample warning, not only of the cost of war but of the potential cost of hysterical economics in a wartime atmosphere.

The Lee Bill has found something fancier than a war-rocketed tax rate without going to a straight capital levy and is, at least, an achievement in political ingenuity. If passed by Congress, it would have the President take a census of the "net wealth" (undefined) of each of us at the outset of hostilities, and require each to purchase 1% government bonds in proportions varying according to our financial showing in the census books.

If you couldn't raise the cash to buy these bonds, the President would be authorized to accept "property or services valuable for the prosecution of war," or he could take your personal note, "adequately secured," at 6% interest. On such notes he could issue currency or other obligations of the United States.

And the government's take through this forced loan would run from 5% of "net" at the bottom of the scale up to the tidy sum of \$29,456,950 in the case of the man with a \$50,000,000 "net."

NOW IT'S HIGHLY PROBABLE that, at a time when young men were being sent off to the trenches, it would be hard to stir up much popular protest over a raid on anybody with \$50,000,000 and there's nothing surer about the next war than the certainty that it will soak the taxpayers in the upper brackets very hard indeed. However, before the politicians get a chance to popularize such a measure as a collector of the patriotic obligations of the very rich, something should be done to educate public opinion on what it would do all the way down the line to the laborer whose job depends on capital.

In the first place, the Lee Bill overlooks the fact that wealth is not something that can be taken out of a pocket and handed over to the government, as the income with which it is confused might be. Wealth in this country is held in the form of property—land, homes, personal possessions, industrial plant, and investments represented by stocks and bonds. Its conversion into cash payable to the Treasury for government bonds would call for such a widespread liquidation as would disrupt our economy. This should be

obvious at the very start of any rational consideration of the bill.

The alternative to forced liquidation—signing a 6% note secured by "net wealth" on which the government can issue currency or other obligations—is no less absurd. The effect of thus tying up property would be as disruptive in its way as forced liquidation. The private investment market would be thrown into utter confusion and the efficiency of private industry, on which the successful prosecution of a war so heavily depends, would be sadly impaired. And, incidentally, the Treasury might well consider its side of the risk when Washington issues bonds on the security of property whose maintenance will be left to private control—unless the Lee Bill has an Ogpu concealed among its provisions.

ANOTHER QUESTION for the government to ask, if the forced loan is enacted, is what would happen when persons overloaded with its bonds on the basis of "net wealth," rather than of cash resources, current income, or ability to borrow, had to unload these bonds at any price.

However, before such problems had to be faced, passage of the Lee Bill would have brought us up against that of defining "net wealth." It is almost safe to say that the impracticality of the law would become apparent at that point and the other difficulties would never be reached.

It is also almost safe to say that Congress will not pass the Lee Bill at this time, though the Senate Military Affairs Committee reported it without dissent. But we are not suffering from war fever at this time. If and when we do "conscription of wealth" will be a powerful political slogan. And if the facts of economic life are not driven home now, it might even put something like this across.

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